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Katrina T. Niehaus
Direct Testimony (EO-2022-0193)
File Nos. EO-2022-0040 & EO-2022-0193

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Witness: Katrina T. Niehaus
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Case No.: EO-2022-0193
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Before the Public Service Commission of the State of Missouri

Direct Testimony

of

Katrina T. Niehaus

on behalf of

The Empire District Electric Company d/b/a Liberty Utilities

March 2022

Liberty™

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THE EMPIRE DISTRICT ELECTRIC COMPANY
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DIRECT TESTIMONY OF KATRINA T. NIEHAUS
THE EMPIRE DISTRICT ELECTRIC COMPANY
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I. INTRODUCTION

Q. Please state your name and company affiliation.

A. My name is Katrina T. Niehaus, and I am employed by Goldman, Sachs & Co. ("Goldman") located at 200 West Street, New York, New York.

Q. In what capacity are you employed and what are your responsibilities?

A. I am currently a Managing Director, Head of the Corporate Asset Backed Securities ("ABS") Finance Group at Goldman.

Q. Briefly describe the role of Goldman in the proposed transaction.

A. Goldman was retained by The Empire District Electric Company d/b/a Liberty ("Liberty") to be its structuring advisor for the proposed transaction relating to retirement of Liberty's Asbury generating plant. Goldman, as structuring advisor, has agreed to assist Liberty in, among other things, procuring a financing order ("Financing Order") to permit securitization and development of the bond structure.

Q. Please give your educational background, professional qualifications, and experience.

A. I received a Bachelor of Science in Economics degree from the Wharton School at the University of Pennsylvania. Prior to joining Goldman in 2005, I was employed by Lehman Brothers. I was at Lehman Brothers from 2004-2005 as an analyst.

During my time at Goldman, I have assisted a number of utilities / States through the securitization process as an advisor or underwriter including: Pacific Gas & Electric, Entergy Texas, Entergy Louisiana, Jersey Central Power & Light, AEP Texas Central, CenterPoint Energy, FirstEnergy, Consumers Energy, The Long Island Department of Power, and The State of Hawaii. Currently, I oversee a group that has the responsibility for the origination and structuring of securitizations backed by a broad range of assets including solar loans and leases, triple net leases, intellectual property, and small business loans.

Q. Have you previously testified before the Missouri Public Service Commission (the "Commission") or other Missouri regulatory bodies?

A. Yes on Liberty's behalf.

Q. What is the purpose of your Direct Testimony on behalf of Liberty?

A. My testimony will: (i) provide an overview of the proposed securitization transaction and market; (ii) discuss the key structural elements of Liberty's proposed rate reduction bond offering; and (iii) discuss the primary rating agency criteria for rate reduction bonds to obtain triple-A ratings.

II. OVERVIEW OF PROPOSED SECURITIZATION TRANSACTION AND MARKET

Q. What is Securitization?

A. Securitization is a financing technique in which certain assets—typically financial assets such as loans, leases, or receivables—are legally isolated within a special purpose entity ("SPE") and investors purchase securities that represent either debt or equity interests in the SPE. These securities are generally referred to as Asset Backed Securities ("ABS"). Securitization has become widely accepted as an efficient way for companies to finance a broad range of assets. The proposed transaction is similar to prior securitizations that have been completed on behalf of other utilities, in that the SPE will issue securities backed primarily by a statutory and regulatory right to receive a charge (referred to herein generically as a "Securitized Utility Tariff Charge") paid by customers in a utility's service territory. Securitizations are generally non-recourse to and bankruptcy-remote from any operating company (here, Liberty). The bonds are typically self-amortizing through payments of principal over time, and there is customarily a broad and diverse pool of underlying obligors (here, retail electric customers) that will make payments to service the bonds. In the case of rate reduction bonds, collections of the securitized charge provide the cash from which interest and principal on the bonds are paid over time.

Q. Have other utilities issued rate reduction bonds?

A. RSMo. §393.1700 (the "Securitization Statute") is the first rate reduction bond ("RRB") statute in Missouri, and Liberty's Petition in January 2022 relating to Winter Storm Uri was the first of its kind in Missouri. Since 1995, however, over $60 billion of rate reduction bonds have been issued successfully by or on behalf of electric utilities in various other states, as shown in **Direct Schedule KN-1**.

Q. Who is a typical investor in securitizations?

A. The most frequent investors in securitizations are banks, pension funds, insurance companies, and money managers (i.e. institutional investors). Securitizations tend to be large, normally in the range of $100 million to $2 billion. The large transaction size economizes on the fixed costs of setting up a securitization and provides greater liquidity for investors seeking to trade in the secondary market, which can lead to better pricing in the primary (i.e. new issue) market.

Q. How are rate reduction bonds priced?

A. The exact interest rate (or coupon) of rate reduction bonds is a function of the market conditions at the time the bonds are sold and is influenced not only by general market conditions but by such factors as the number and quality of competitive bond offerings coming to market at the same time. The interest rates (or coupons) on the rate reduction bonds are set at a level agreed to by the sponsor and the underwriters shortly before the bonds are issued. The objective in setting the interest rates on the rate reduction bonds is to set them at a level sufficient to generate enough demand to allow all bonds to be sold, without setting the interest rate at a level higher than necessary to generate sufficient demand. The ratings of the rate reduction bonds also generally impact the rate at which investors are willing to purchase the securities.

Q. How will the bonds be structured in this transaction?

A. Rate reduction bonds may be issued in a single tranche or multiple tranches. Tranches should be of sufficient size to be liquid. If tranches are seen by the market as too small, they will be seen as illiquid and will not generate as much investor demand, which can result in higher coupons. While the final structure will depend upon market conditions at the time of offering, we currently estimate that the proposed offering will have one tranche with a weighted average life of approximately 7.17 years. The legal final maturity of the bonds is not expected to exceed 15 years. The likely scheduled final payment date of the bonds will be approximately 13 years from the date of issuance. We have structured the deal here for the Asbury retirement costs so it will match the final legal maturity of the deal referenced in the previous testimony filed in January 2022 relating to Winter Storm Uri. **Direct Schedule KN-2** shows an example of the bond structure that Goldman would recommend under current market conditions by first scheduled principal payment date, scheduled final payment date, legal final maturity, initial principal amount, average life, and estimated coupon. I should note that **<u>Direct Schedule KN-2</u>** is only an example and that the actual structure could differ depending on market conditions at the time of issuance.

Q. How was the tranching determined?

A. Given the total recovery amount, we have created a one tranche structure. We believe that the tranche size is large enough to generate investor demand at pricing and will also be seen as large enough to be able to trade easily in the secondary market.

Q. Do you recommend the bonds be offered in a public transaction registered with the SEC or a private placement?

A. I recommend in this case pursuing an offering registered with the U.S. Securities and Exchange Commission ("SEC"), generally referred to as a "public" offering. The Securities Act requires that every security offered or sold in the United States either be registered with the SEC or qualify for an exemption from registration (with such exempt securities generally referred to as a "private" offering). If a transaction is registered with the SEC, there are no restrictions on the type of investor who may purchase the securities. While private offerings are restricted to certain types of sophisticated institutional investors, public offerings can be sold to anyone, including retail investors. Because there are no restrictions on the sophistication of the investors able to purchase the bonds, the SEC requires public offerings to prepare a prospectus that conforms to detailed disclosure requirements and is also reviewed by the SEC prior to marketing. Offering documents for private transactions do not have to be reviewed by the SEC prior to marketing. The public offering process can therefore be more time consuming, and may also have higher transaction costs. Legal fees may be higher due to the SEC review process, and unlike private offerings, the SEC requires issuers to pay a filing fee based on the dollar amount of bonds being registered. However, in general, public offerings are considered to be more liquid given the broader potential investor universe and therefore may be more attractive to investors, resulting in lower pricing. Therefore, similar to the vast majority of precedent RRB transactions, we believe a public offering will likely lead to lower overall costs for customers.

Q. Will the rate reduction bonds pay fixed or floating rates?

A. Nearly all rate reduction bonds have been fixed-rate bonds. Fixed rates facilitate evaluation of the likely costs and benefits in advance and the maintenance of roughly equal securitized charges over time (subject to variances in items such as actual load or collections history from forecast). Although it is possible to issue floating-rate bonds if the floating interest rate is then converted to a fixed rate through use of an interest rate swap or hedge between an SPE and a highly-rated swap counterparty, in today's market, floating rate bonds, swaps, and hedges are expected to create additional documentation costs and introduce additional risks. Our analysis assumes that only fixed-rate bonds will be issued.

Q. Please describe and provide an estimate of the up-front financing costs of original issue discount.

A. Original issue discount ("OID") is not really a "cost" similar to the other up-front financing costs discussed in Liberty's testimony. Instead, it is the difference between the total par amount of the bonds issued and the actual price paid by investors. There is a mathematical relationship, as captured by the yield of a bond, between the amount of OID in a particular transaction and the interest rate (or coupon) paid on the bonds sold. The lower the interest rate, the higher the OID will be for a given yield (all else equal). For planning purposes, it is assumed that the rate reduction bonds will be issued without OID. However, as a practical matter, it is likely that some level of OID will be needed to provide yields that match the exact market conditions at issuance. In fact, a certain amount of OID is typical of rate reduction bonds and some other asset backed securities generally. The amount of OID is generally less than 0.5%. These types of discounts arise because (a) the swap curve is typically quoted to four decimal places while bond coupons are typically stated to two decimal places and (b) many initial offerings settle without accrued interest on a mid-month date, which results in an "odd first period." Under these circumstances, pricing at exactly 100% is not practicable. Many investors tend to prefer a lower coupon with a discount over a higher coupon with a premium, so the normal convention is to round the coupon down (to two decimal places) at pricing to produce a slight discount.

For all practical purposes, OID is an element of interest cost. The OID will depend on market conditions at the time and the "odd first period" described above. Since the OID will be fully reflected in the issuance advice letter, and there is no reason to predict, nor any basis for predicting, the exact amount of OID that may be associated with this transaction. Any estimate would be arbitrary.

Q. How might market conditions at the time of the offering impact the RRBs?

A. Market conditions for fixed income securities overall can impact the execution of specific securities, including rate reduction bonds, independent of investors' fundamental views of those specific securities. For example, if there is generally growing risk aversion among investors, it may be more expensive to an issuer to offer securities of a longer duration, all else being equal.

III. KEY ELEMENTS OF THE RRB STRUCTURE

Q. What key elements or characteristics of rate reduction bonds are considered important in establishing the credit rating of rate reduction bonds?

A. Rating agencies generally consider several key elements including: (1) bankruptcy remoteness from the utility; (2) predictability and non-bypassability of the legislatively mandated "Securitized Utility Tariff Charge"; (3) standards governing any future third party biller (a "TPB")[1]; (4) credit enhancement; and (5) the state pledge and other statutory safeguards.

Q. Please describe the structure of the proposed securitization transaction.

A. A diagram of the structure of the proposed securitization transaction is provided in **Direct Schedule KN-3**. This structure is substantially similar to that employed in typical rate reduction bond offerings. The proposed transaction will involve the creation by Liberty of one or more wholly-owned SPEs, which would be incorporated as Delaware limited-liability companies with Liberty as the sole member. The SPE will serve as the issuer of the rate reduction bonds (the "Issuer"). Liberty, pursuant to authorization granted it by the Commission in a Financing Order, will create and sell certain "property" (namely, the right to impose, bill, and receive Securitized Utility Tariff Charges, the "RRB Property") to Issuer. The Issuer will finance the purchase of such RRB Property by selling rate reduction bonds, thereby acquiring all of the right, title, and interest of Liberty to collect Securitized Utility Tariff Charges.

Q. What is the reason for using a newly formed SPE rather than issuing the rate reduction bonds directly from Liberty?

A. The credit ratings (or creditworthiness, if not formally rated) of existing companies are affected by factors related to their historical and ongoing business. One of the aspects of securitization is that it allows a particularly high quality stream of revenue to be

[1] The rating agencies are likely to focus on the impact of each third-party billing entities credit and their involvement on the flow of collections. Historically, the rating agencies have required the public utility commission to indicate they will consider the rating of the securitization to the extent a change in billing structure is made in the future.

isolated, and bonds secured by that stream to be sold in a manner that insulates the investor from credit risks of the existing company. As a result, securities issued by SPEs, such as the Issuer, often have higher credit ratings than the debt of the company that sponsored the transaction. As Liberty is unrated, the securities issued by the Issuer are expected to have higher credit ratings than Liberty's debt if it were explicitly rated. To obtain and maintain these higher credit ratings, the SPE is generally made the beneficiary of one or more forms of credit enhancement, which may include equity contributed by the sponsor, subordinated interests retained by the sponsor, financial guarantees or letters of credit, and in the context of the proposed rate reduction bond transaction, a true-up of securitized charges and other statutory protections. In the case of rate reduction bonds, the statutory provisions are designed to permit the bonds to be issued with triple-A ratings using features generally consistent with precedent legislation enabling securitization of this type.

Q How does the sale of the RRB Property to an SPE contribute to the bankruptcy-remoteness of such RRB Property?

A. When the transfer of the RRB Property to an SPE constitutes a legal true sale and absolute transfer for commercial law purposes, the RRB Property owned by the SPE is no longer property of the utility and, therefore, would not be subject to the claims of the utility's creditors if the utility were to become the subject of a bankruptcy proceeding. Although Liberty, as seller of the RRB Property, will initially act as servicer (the "Servicer") for an SPE by collecting Securitized Utility Tariff Charges, the SPE will hold legal title to the collections received in connection with Securitized Utility Tariff Charges and the funds will not be part of Liberty's revenues or assets for legal purposes. Legal counsel to the issuer will give a reasoned legal opinion regarding the true sale of the RRB Property and that the SPE will not be consolidated into the bankruptcy estate of the parent utility. The rating agencies will review this opinion as part of their diligence on the transaction.

Q. How does the independence of the SPE from the utility influence the bankruptcy-remoteness of the RRB Property?

A. In order to preserve the bankruptcy-remote status of the SPE and the RRB Property once it is sold to the SPE, the utility should maintain an arms' length relationship with the SPE and not act in a manner inconsistent with the ownership of the RRB Property by the SPE. The transaction documents will have covenants included that state the utility cannot have an ownership claim on the Securitized Utility Tariff Charges. These covenants will help support the reasoned legal opinion regarding bankruptcy matters that will be provided at closing by the issuer's legal counsel.

Q. What are the structural elements of the RRB Transaction that support the status of the SPE as a separately organized legal entity?

A. The structural elements that the opining law firm typically requires to support such separate existence typically include, without limitation, requirements that the SPE be adequately capitalized, that the utility, as Servicer, be adequately compensated on an arms' length basis for the functions it performs for the SPE in billing, collecting and remitting the Securitized Utility Tariff Charges on behalf of the SPE, that the utility not be liable for the SPE's debts and that the SPE not be liable for the utility's debts, that the utility and the SPE take certain steps to ensure that creditors are not misled as to their separate existence, such as disclosure in the utility's financial statements of such separate existence, that certain steps have been taken to avoid commingling of funds, and that separate books and records are maintained for each of the SPE and the utility.

These structural protections are important to avoid the potential for "substantive consolidation" in a bankruptcy proceeding, where the assets and liabilities of two or more affiliated entities (such as the utility and its affiliated SPE) are pooled, resulting in claims of third-party creditors against any of those entities being treated as claims against the common pool of assets created by consolidation.

Q. If the utility wholly owns the SPE, how will the SPE be operated independently from the utility?

A. Issuer's counsel and the rating agencies typically require that the organizational documents of the SPE impose restrictions upon its activities and the ability of the utility to take actions as the holder of the equity interest therein. For example, in the proposed transaction, the SPE will be formed for the limited purpose of acquiring the RRB Property and issuing the bonds. The SPE will be managed by a board of managers, including at least one independent manager. Without the consent of this independent manager, such SPE will be unable (a) to amend provisions of fundamental organizational documents which ensure the bankruptcy-remoteness of the SPE or (b) to institute or to consent to the institution of bankruptcy or insolvency proceedings against it, or (c) to dissolve, liquidate or wind up the SPE. Other provisions may also be included to support the bankruptcy-remote character of an SPE as required by the rating agencies.

The SPE will not have any employees, so Liberty, in its role as Administrator, will perform certain functions for the SPE. These functions will include, among others, maintaining the general accounting records, preparation of periodic and annual reports, arranging for annual audits of the SPE's financial statements, as may be necessary, preparing all required external filings, preparing any required income or other tax returns, and related support. The administration fee is meant to cover expenses associated with these functions.

Q. Will the utility be permitted to voluntarily resign as Servicer?

A. It is expected that the servicing agreement will prohibit Liberty, as the initial Servicer, from resigning as Servicer except upon either (i) a determination that the performance by it of such duties is no longer permissible under applicable law or (ii) the prior approval of the Commission and confirmation (or deemed confirmation) by the applicable rating agencies that such resignation will not result in a suspension, reduction or withdrawal of the then current credit ratings for the bonds. Such resignation will not be effective until a successor Servicer has assumed the initial Servicer's obligations in order to continue servicing the RRB Property without interruption. The Servicer may also be terminated from its responsibilities under certain instances, such as the failure to remit collections within a specified period of time. Any merger or consolidation of the Servicer with another entity would require the merged entity to assume the Servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the rating agency analysis of the proposed transaction and the ability to achieve the highest credit ratings.

Q. What are the eligibility criteria for a third-party successor servicer?

A. Selection of a third-party successor servicer is customarily made by the indenture trustee, either at its own discretion or as it may be directed by holders of a majority of the outstanding principal balance of the related series, subject to rating agency approval. Typically, indenture trustees and rating agencies are primarily concerned with performance-related criteria, and secondarily with financial strength. A third-party successor servicer must be able to perform the calculation, billing, collection, filing, and other duties that the servicer is required to provide under the servicing agreement, must enter into a servicing agreement substantially similar to the servicing agreement with the servicer being replaced, and must agree not to resign. Appointment of the successor servicer must also not cause the rating agencies to reduce or withdraw the current ratings of any class of rate reduction bonds for which the replacement would act as servicer.

Q. Will an indenture trustee be engaged in this securitization?

A. Yes. Securitizations typically involve an indenture trustee who will act on behalf of investors pursuant to the indenture. The assets of the SPE are typically pledged to the indenture trustee on behalf of the bondholders, who perfects a first-priority security interest in them. In the event the sponsor or servicer defaults on its servicing obligations, the indenture trustee is normally empowered to contract with another party to perform those obligations. The entity acting as indenture trustee will charge an up-front fee, as well as ongoing fees to perform the role of indenture trustee for the transaction.

Q. What is the role of the indenture trustee?

A. The indenture trustee receives and processes Securitized Utility Tariff Charges from the Servicer, calculates the amounts due to bondholders on each payment date, allocates collections in accordance with the priority of payments for the transaction, invests amounts on deposit in each subaccount in eligible investments, and provides periodic reports that detail account activity and balances to various parties. The duties, rights, and obligations of the indenture trustee will be more fully described in the indenture.

Q. Please describe the different kinds of accounts that will be created for the transaction.

A. The indenture will provide for the creation of a collection account and a capital account. This is similar to the structure of other recent rate reduction bonds.

Q. Please describe the Collection Account.

A. All collections of Securitized Utility Tariff Charges by the Servicer will be remitted into the collection account for distribution to bondholders and other parties in accordance with a priority of payments (or "waterfall") as described below. To achieve triple-A ratings, it is generally necessary for, among other things, the documents to include a detailed priority of payments for the application of collections. The priority of payments is found in the indenture and is expected to be similar to other recent rate reduction bond precedent transactions.

Q. Please describe the Capital Account.

A. The Capital Account serves as a buffer against undercollection, which might otherwise cause a delay in the payment of scheduled principal, interest, or operating expenses. The Capital Subaccount will be funded by Liberty on or prior to the closing of the transaction through a capital contribution in an amount to equal to at least 0.5% of the initial principal balance of the rate reduction bonds issued. This level of capital contribution is generally necessary to achieve triple-A ratings and is also required to support the necessary tax treatment.

The Internal Revenue Service in 2005 issued a revenue procedure (2005-62) stating the "qualifying securitizations" were required to capitalize the issuer SPE with an equity contribution form the sponsoring utility of no less than 0.5% of the aggregate principal amount of the financing. A "qualifying securitization" will receive the following tax treatment:

- be treated as not recognizing gross income in connection with: (i) the receipt of the Financing Order; (ii) the receipt of cash or other consideration in exchange for the transfer of the intangible property right created under the Financing Order; or (iii) the receipt of cash or other consideration in exchange for securitized instruments issued by the SPE;
- the securitized instruments will be treated as obligations of Liberty; and
- the securitization charges are gross income to Liberty.

Revenue Procedure 2005-62 clarifies that a typical qualifying utility securitization will avoid recognition by the utility of gross income upon receipt from the SPE of the net proceeds of the securitization bonds as the sales price of the RRB Property and treats the Securitized Utility Tariff Charges as gross income to the utility under its usual method of accounting.

The Capital Account can be used to make interest and principal payments (or to pay other operating costs) if Securitized Utility Tariff Charges are inadequate to do so. Any withdrawals from the Capital Account to pay interest or principal due to bondholders will be repaid with future remittances of Securitized Utility Tariff Charges and incorporated into the true-up mechanism.

Because this subaccount is funded by Liberty (as the sole member of the Issuer), upon the repayment of the bonds, all amounts in the Capital Subaccount should be returned to the shareholders of Liberty.

Q. How will the amounts in these accounts be invested?

A. Amounts on deposit in each of the accounts will be invested by the indenture trustee in "eligible investments." The indenture is expected to define eligible investments in a similar manner as other recent precedent transactions and will include U.S.

Government securities, certain bank deposits, banker's acceptances, and security repurchase obligations from institutions with long-term ratings of at least Aa3/AA/AA (from Moody's, Standard and Poor's, and Fitch, respectively), or short-term ratings of at least P-1/A-1+/F-1+, respectively, the commercial paper of similarly-rated commercial or financial entities, and investments in Aaa/AAA/AAA-rated money market funds.

IV. PRIMARY RATING AGENCY CRITERIA

Q. Are the terms of a Financing Order critical to achieving a successful RRB transaction?

A. Yes. A Financing Order, when taken together with the applicable provisions of the Securitization Statue, establishes in strong and definitive terms the legal right of investors to receive, in the form of Securitized Utility Tariff Charges, those amounts necessary to pay the interest and principal on the bonds and other ongoing expenses in full and on a timely basis. A proposed draft of the Financing Order is attached to Liberty's Verified Petition for Financing Order as Appendix A and is also attached hereto as **Direct Schedule KN-4**.

As more fully described below, the Financing Order specifies the mechanisms and structures for payments of bond interest, principal, and ongoing expenses in a manner that minimizes the amount of additional credit enhancements required by the rating agencies to achieve the highest possible ratings. The highest possible ratings will allow the financing to achieve the desired pricing and savings results. In addition, the Financing Order, when taken together with the applicable provisions of the Securitization Statute, will enable Liberty to structure the financing in a manner reasonably consistent with investor preferences and rating agency considerations at the time of pricing, which flexibility is also necessary for the transaction to achieve the desired results.

The true-up mechanism in the Proposed Financing Order is consistent with current market standards. I also recommend that in addition to the annual true-up mandated by the Securitization Statute and the interim true-ups included in the financing order, true-ups be required on a non-standard basis if the servicer determines that a true-up adjustment is necessary to ensure the expected recovery, during the succeeding period, of amounts sufficient to pay schedule principal and interest on the securitization bonds, the Issuer's Ongoing Financing Costs and amounts necessary to replenish the draws on the Capital Subaccount.

Additionally, in the Proposed Financing Order, I recommend that Liberty may proceed with the issuance of the securitized utility tariff bonds unless, prior to noon on the fourth business day after pricing of the bonds, the Commission issues a disapproval letter directing that the securitized utility tariff bonds are proposed shall not be issued together with the basis for such disapproval. This timeline provides the Commission with one business day less than what is specified in section 393.1700.2(3)(h) of the Securitization Statute but is recommended since there otherwise would not be enough time to settle the bonds in accordance with market practice on the fifth business day after pricing.

Q. What are the principal criteria for achieving triple-A ratings for the rate reduction bonds?

A. The proposed transaction will be structured in a manner intended to achieve the highest rating by each of the three major rating agencies: Aaa by Moody's, AAA by Standard and Poor's, and AAA by Fitch. Note that while the transaction is structured with all three major agencies' rating criteria in mind, Liberty may choose to follow the lead of certain recent rate reduction bonds transactions, and only engage two of the three agencies. Engaging only two of three agencies is not expected to have a material effect on the pricing of the transaction, but can save on up-front financing costs. Rating agencies will charge an up-front fee to rate the transaction, typically based on a percentage of the original principal amount of the transaction, up to a cap. Rating agencies will also charge a surveillance fee throughout the life of the transaction, to review ongoing creditworthiness of the bonds and whether there needs to be a change in rating. To achieve these ratings, the transaction should exhibit certain characteristics:

1. There must be a "true sale" transfer of the RRB Property from Liberty to the Issuer with a first-priority perfected security interest in the transferred RRB Property granted in favor of the indenture trustee.

2. The Issuer must be structured to ensure that it will be bankruptcy-remote from Liberty.

3. The Financing Order authorizing the issuance must include statements recognizing the irrevocability of the Securitized Utility Tariff Charges, describing and authorizing imposition, collection, and non-bypassability thereof, and approving the implementation of a satisfactory true-up mechanism to adjust Securitized Utility Tariff Charges. The statute also includes a state pledge that neither the state, nor any of its agencies, including the Commission, shall reduce, alter or impair the Securitized Utility Tariff Charge, the RRB Property and all rights thereunder.

4. The true-up mechanism must be mandatory and provide for at least an annual adjustment, with a preference for mandatory semi-annual and other interim

reviews. These adjustments are needed to ensure sufficient collections to adhere to the scheduled amortization schedule.

5. The transaction should include credit enhancement in the form of the Capital Account. It is expected that the Capital Account will be required in amounts no less than 0.5% of the original principal amount of rate reduction bonds per the discussion above.

6. The rate reduction bonds must have scheduled final payment dates that are sufficiently shorter than the legal final maturity date of the bonds to ensure sufficient funds will be collected under a "worst case" scenario to pay the interest and principal regardless of the economic, weather, or other conditions that exist prior to the legal final maturity date of the bonds. Typically, the legal final is one or two years beyond the expected scheduled final payment date.

7. There should be cross-collateralization among customer rate classes allowing collection shortfalls to be allocated among classes through the true-up mechanism. There should also be no cap on the Securitized Utility Tariff Charges.

8. The rating agencies will need to be satisfied that the Servicer is qualified to perform its billing, collection, and related responsibilities and that it is of sufficient financial substance and stability that it can be expected to perform such services for the life of the rate reduction bonds. The rating agencies will also require the documentation to provide that a qualified successor servicer can and will be appointed following certain servicer defaults.

9. The rating agencies will want assurance that the permitted servicing fee will be adequate to obtain a replacement servicer in the unlikely event that transfer of servicing is required.

10. The rating agencies must be convinced that the Financing Order's terms regarding the credit standards, remittance requirements, and deposit mechanisms relating to the possibility of third party billing parties are adequate and will be enforced. All of these requirements are properly provided for in the proposed structure of the transaction and the draft Financing Order. We expect that the proposed Financing Order will allow Liberty to meet the rating agency criteria to achieve triple-A ratings for the rate reduction bonds.

Q. What is the importance of the predictability and non-bypassability of Securitized Utility Tariff Charges?

A. In order to obtain the highest feasible credit rating, the revenue stream associated with the Securitized Utility Tariff Charge should be secure and predictable. The Securitized Utility Tariff Charges will be assessed and collected from all retail electric customers obligated to pay the Securitized Utility Tariff Charge (as described in the proposed Financing Order and related testimony) to the Servicer (or any successor Servicer). The credit rating for the bonds will depend on the predictability and stability of that revenue stream even under financial stress or changes in circumstances.

It is important that the Securitized Utility Tariff Charges be non-bypassable. In other words, a retail electric customer of Liberty's designated service territory must pay the Securitized Utility Tariff Charge regardless of whether it purchases energy from Liberty or a third party generation supplier, or whether such service territory is operated by Liberty or a successor. The SPE, not the utility or any other collection agent, including a TPB, must have the right to receive such Securitized Utility Tariff Charges.

Q. Please describe the irrevocable nature of the Financing Order.

A. In accordance with the Securitization Statute, the Financing Order shall be irrevocable, and neither the Commission nor any successor finance order or otherwise may, directly or indirectly, revalue or revise for ratemaking purposes the RRB Property or the Securitized Utility Tariff Charges, or the costs of providing, recovering, financing, or refinancing the RRB Property, determine that such Securitized Utility Tariff Charge is unjust or unreasonable, or in any way reduce or impair the value of the RRB Property either directly or indirectly by taking such Securitized Utility Tariff Charge (other than the portion of such Securitized Utility Tariff Charge constituting a servicing fee payable to Liberty) into account when setting other rates for Liberty, nor shall the amount of revenues arising with respect to the Securitized Utility Tariff Charge be subject to reduction, impairment, postponement or termination.

Q. Please describe the State of Missouri pledge and other statutory safeguards that will support the credit rating of the bonds.

A. The Securitization Statute includes a pledge that neither the state, nor any of its agencies, including the Commission, shall reduce, alter or impair the Securitized Utility Tariff Charge, the RRB Property and all rights thereunder or ownership thereof or security interest therein until the bonds, including all principal, interest, premium, costs and arrearages thereon, have been paid and performed in full.

Q. What concerns do the rating agencies have with a third party biller?

A. To the extent a TPB bills, collects and remits Securitized Utility Tariff Charges, the process is one step removed from the Servicer, which may result in the Servicer receiving the Securitized Utility Tariff Charges later than it otherwise would. The greater the delay in receipt of payment, the larger the amount of payments subject to the risk of non-payment due to default, bankruptcy or insolvency of the TPB holding the funds. TPB billing places increased information requirements on the Servicer. It requires the Servicer to perform double tracking of Securitized Utility Tariff Charge payments because the Servicer has the responsibility of accounting for the Securitized Utility Tariff Charge payments due to RRB holders regardless of which entity provides a customer's electric power. As a result, the security of the cash flows that constitute RRB Property may be reduced, thereby increasing risks to investors, potentially reducing the credit rating and/or increasing the interest rate of the bonds that would be required by investors. This concern is especially acute if the TPB is a start-up company or minimally capitalized entity unrated by rating agencies.

It is important that the Commission ensure that any TPB, in the event there is any change in utility regulation, must bill, collect and remit the Securitized Utility Tariff Charges in a manner that will not cause any of the then-current credit ratings of the bonds to be suspended, withdrawn, or downgraded. Language to this effect is included in the proposed Financing Order.

Q. Do you believe that the proposed structure of the RRB Transaction has been designed to achieve the highest possible credit ratings?

A. Yes.

Q. Are the terms of the RRB Transaction, as described in this Direct Testimony, the final terms of the proposed transaction?

A. No. Certain details regarding the issuance of the rate reduction bonds, including without limitation, interest rates, the expected amortization schedule and the weighted average life of the bonds are entirely dependent upon market conditions at the time the bonds are issued, and until that time such terms cannot be finalized. Additionally, the rating agencies will need to perform their due diligence, including running various cash flow stress scenarios, which may result in changes to the structure in order for the rate reduction bonds to achieve triple-A ratings. Finally, the Financing Order sets forth an issuance advice letter process whereby the Commission will provide input to Liberty and collaborate with Liberty in all facets of the bond process.

Q. Does this conclude your Direct Testimony?

A. Yes.

VERIFICATION

I, Katrina T. Niehaus, under penalty of perjury, on this 21st day of March, 2022, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Katrina T. Niehaus

Direct Schedule KN-1 Utility Rate Reduction Bond Transactions

As of March 11, 2022

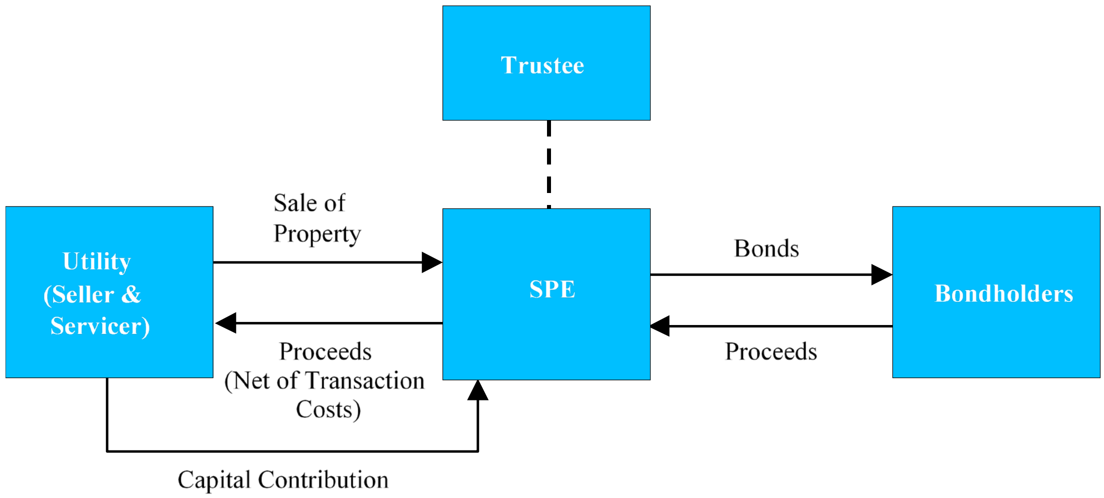
Line No.	State	Utility	Pricing Date	Issuance ($mm)
1	Michigan	DTE Electric Co.	3/10/2022	236
2	California	Southern California Edison	02/08/2022	533
3	Texas	Rayburn Country Electric Cooperative	02/04/2022	908
4	North Carolina	Duke Energy Progress	11/09/2021	770
5	North Carolina	Duke Energy Carolinas	11/09/2021	237
6	California	PG&E	11/04/2021	860
7	Wisconsin	WEP Energy Group	05/04/2021	119
8	California	Southern California Edison	02/17/2021	338
9	Texas	AEP Texas	09/11/2019	235
10	New Hampshire	Public Service Company of New Hampshire	05/01/2018	635
11	New York	Long Island Power Authority (LIPA)	10/25/2017	370
12	New York	LIPA	08/11/2016	469
13	New York	LIPA	03/02/2016	637
14	Florida	Duke Energy Florida	06/15/2016	1,294
15	New York	LIPA	10/16 /2015	1,002
16	Louisiana	Entergy New Orleans	07/14/2015	99
17	Hawaii	Hawaiian Electric; Hawaii Electric Light; Maui Electric	11/04/2014	150
18	Louisiana	Entergy Gulf States Louisiana	07/29/2014	71
19	Louisiana	Entergy Louisiana	07/29/2014	244
20	Michigan	Consumers Energy	07/14/2014	378
21	New York	LIPA	12/12/2013	2,022
22	West Virginia	Appalachian Power	11/06/2013	380
23	Ohio	Ohio Power	07/23/2013	267
24	Ohio	Cleveland Electric Illuminating; Ohio Edison; Toledo Edison	06/12/2013	445
25	Texas	AEP Texas Central	03/07/2012	800
26	Texas	CenterPoint Energy Houston Electric	01/11/2012	1,695
27	Louisiana	Entergy Louisiana	09/15/2011	207
28	Arkansas	Entergy Arkansas	08/11/2010	124
29	Louisiana	Entergy Gulf States Louisiana	07/15/2010	244
30	Louisiana	Entergy Louisiana	07/15/2010	469
31	West Virginia	Monongahela Power	12/16/2009	64
32	West Virginia	Potomac Edison	12/16/2009	22
33	Texas	CenterPoint Energy Houston Electric	11/18/2009	665
34	Texas	Entergy Texas	10/29/2009	546

35	Louisiana	Entergy Gulf States Louisiana	08/20/2008	278
36	Louisiana	Entergy Louisiana	07/22/2008	688
37	Louisiana	Cleco Power	02/28/2008	181
38	Texas	CenterPoint Energy Houston Electric	01/29/2008	488
39	Texas	Entergy Gulf States	06/22/2007	330
40	Maryland	Baltimore Gas and Electric	06/22/2007	623
41	Florida	Florida Power & Light	05/17/2007	652
42	West Virginia	Monongahela Power	04/03/2007	345
43	West Virginia	Potomac Edison	04/03/2007	115
44	Texas	AEP Texas Central	10/04/2006	1,740
45	New Jersey	Jersey Central Power & Light	08/04/2006	182
46	Texas	CenterPoint Energy Houston Electric	12/09/2005	1,851
47	California	Pacific Gas and Electric	11/03/2005	844
48	Pennsylvania	West Penn Power	09/22/2005	115
49	New Jersey	Public Service Electric and Gas	09/09/2005	103
50	Massachusetts	Boston Edison; Commonwealth Electric	02/15/2005	675
51	California	Pacific Gas and Electric	02/03/2005	1,888
52	New Jersey	Rockland Electric	07/28/2004	46
53	Connecticut	Connecticut Light and Power	06/23/2004	205
54	Texas	Oncor Electric Delivery	05/28/2004	790
55	New Jersey	Atlantic City Electric	12/18/2003	152
56	Texas	Oncor Electric Delivery	08/14/2003	500
57	New Jersey	Atlantic City Electric	12/11/2002	440
58	New Jersey	Jersey Central Power & Light	06/04/2002	320
59	Texas	Central Power and Light	01/31/2002	797
60	New Hampshire	Public Service of New Hampshire	01/16/2002	50
61	Michigan	Consumers Energy	10/31/2001	469
62	Texas	Reliant Energy	10/17/2001	749
63	Massachusetts	Western Massachusetts Electric	05/14/2001	155
64	New Hampshire	Public Service of New Hampshire	04/20/2001	525
65	Connecticut	Connecticut Light and Power	03/27/2001	1,438
66	Michigan	Detroit Edison	03/02/2001	1,750
67	Pennsylvania	PECO Energy	02/15/2001	805
68	New Jersey	Public Service Electric and Gas	01/25/2001	2,525
69	Pennsylvania	PECO Energy	04/27/2000	1,000
70	Pennsylvania	West Penn Power	11/03/1999	600
71	Pennsylvania	PP&L	07/29/1999	2,420
72	Massachusetts	Boston Edison	07/26/1999	725
73	California	Sierra Pacific Power	04/08/1999	24

74	Pennsylvania	PECO Energy	03/18/1999	4,000
75	Montana	Montana Power	12/22/1998	63
76	Illinois	Illinois Power	12/10/1998	864
77	Illinois	Commonwealth Edison	12/07/1998	3,400
78	California	Southern California Edison	12/04/1997	2,463
79	California	San Diego Gas & Electric	12/04/1997	658
80	California	Pacific Gas and Electric	11/25/1997	2,901
81	Washington	Puget Sound Energy	07/30/1997	35
82	Washington	Puget Sound Power & Light	06/08/1995	202
	Total			60,404

Source: Bloomberg, Company Filings, Press Releases and Other Publicly Available Information

DIRECT SCHEDULE KN-2: DIAGRAM OF PROPOSED SECURITIZATION TRANSACTION



DIRECT SCHEDULE KN-3: INDICATIVE BOND STRUCTURE

	Class A-1 Notes
Initial Principal Balance	$110.9mm
Scheduled Final Payment Date (yrs)	13.0 years
Legal Final Maturity (yrs)	15 years
Expected WAL (yrs)	7.17 years
Treasury Rate	2.17% (7 year treasury)
Spread over Treasuries	100 bps
Coupon	2.47%

Note: Indicative rates and coupons are as of March 17, 2022.

Appendix A – Form of Financing Order

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

In the Matter of the Petition of The Empire District	)	
Electric Company d/b/a Liberty to Obtain a	)	
Financing Order that Authorizes the Issuance of	)	Case No. EO-2022-0193
Securitized Utility Tariff Bonds for Energy	)	
Transition Costs Related to the Asbury Plant	)	

FINANCING ORDER

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Appendix A – Form of Financing Order

CASE NO. EO-2022-[ ]

PETITION OF THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY FOR A FINANCING ORDER	§ § § §	**MISSOURI PUBLIC SERVICE COMMISSION**

FINANCING ORDER

This Financing Order addresses the petition of The Empire District Electric Company d/b/a Liberty ("Liberty" or the "Company") under Section 393.1700 of the Missouri Electricity Securitization Law (the "Securitization Law")[1] to finance the recovery of energy transition costs incurred related to closing the Asbury Power Plant ("Asbury") as part of its long-term plan to retire coal-fired power plants through an issuance of securitized utility tariff bonds.

On [●], 2022, Liberty submitted a petition for a financing order to finance certain energy transition costs (also referred to herein as securitized utility tariff costs) plus certain other upfront financing costs associated with the proposed financing. As discussed in this Financing Order, the Commission finds that Liberty's petition for approval of the financing should be approved to the extent provided in this Financing Order. The Commission also finds that the financing approved in this Financing Order meets all applicable requirements of the Securitization Law.

In accordance with the terms of this Financing Order, the Commission approves the recovery of approximately $145,019,637.[2]

To approve the financing of the energy transition costs, the Commission must: (1) determine the amount of securitized utility tariff costs to be financed using securitized utility tariff bonds and whether that recovery of such costs is just and reasonable and in the public interest; (2) describe and estimate the amount of financing costs that may be recovered through securitized utility tariff charges; (3) specify the period over which such securitized utility tariff costs and financing costs may be recovered; (4) determine whether the proposed issuance of securitized utility tariff bonds and the imposition of a securitized utility tariff charge are (a) just and reasonable; (b) in the public interest; and (c) expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs

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[1] All statutory citations are to the Missouri Revised Statutes (2016), as amended.

[2] *See* § 393.1700-2.(3)(h).

that would have been incurred absent the issuance of securitized utility tariff bonds (referred to herein as the "quantifiable benefits test");[3] and (5) determine that the proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of the financing order (referred to herein as the "lowest charges standard").[4] The quantifiable benefits test and the lowest charges standard are collectively referred to herein as the "Statutory Requirements".

Liberty submitted evidence demonstrating that the proposed securitization will meet each of the Statutory Requirements set forth in the Securitization Law to finance energy transition costs.[5]

Liberty provided a general description of the proposed transaction structure in its petition and in the evidence submitted in support of its petition. The proposed transaction structure uses only approximations of certain costs and requirements. The final transaction structure will depend, in part, upon the requirements of the nationally-recognized credit rating agencies which will rate the securitized utility tariff bonds and, in part, upon the market conditions that exist at the time the securitized utility tariff bonds are taken to the market in order to satisfy the Statutory Requirements.

In view of these obligations, the Commission has established certain criteria in this Financing Order that must be met in order for the approvals and authorizations granted in this Financing Order to become effective. This Financing Order grants authority to issue securitized utility tariff bonds and to impose, bill, charge, collect, and receive securitized utility tariff charges and to obtain periodic adjustments only if the final structure of the securitization transaction complies in all material respects with these criteria. The authority and approval granted in this Financing Order are effective as to each issuance upon, but only upon, Liberty filing with the Commission an issuance advice letter demonstrating compliance of that issuance with the provisions of this Financing Order. If market conditions make it desirable to issue the securitized utility tariff bonds in more than one series, then the authority and approval in this Financing Order is effective as to each issuance, but only upon Liberty filing with the Commission a separate

[3] *See* § 393.1700-2.(3)(c)b.
[4] *See* § 393.1700-2.(3)(c)c.
[5] *See* § 393.1700-2.(2).

issuance advice letter for that issuance demonstrating compliance with the provisions of this Financing Order.

I. Discussion and Statutory Overview

In recognition of the significant rate impact that costs associated with retiring Asbury would have on retail electric utility customers in Missouri, the Missouri legislature enacted the Securitization Law during the 2021 legislative session which was signed into law by the Governor on August 28, 2021. With Commission approval, this new mechanism allows for the financing of certain energy transition costs through securitized utility tariff bonds provided that the utility demonstrates that the issuance of the bonds "…are expected to provide quantifiable net present value benefits to customers."[6] In this proceeding, Liberty has demonstrated that the costs it incurred associated with retiring Asbury are "energy transition costs" as contemplated by the Securitization Law, and that issuance of a Financing Order, consistent with the Securitization Law, will provide a more economical way to finance these costs so as to minimize the burden on its customers."

The Legislature provided this option to electrical corporations for financing securitized utility tariff costs. As a precondition to the use of securitization, the Legislature required that the Commission must find that the proposed structure and issuance of the securitized utility tariff bonds meet the Statutory Requirements.

Under the Securitization Law, the financing costs eligible for securitization by Liberty include costs incurred by Liberty to obtain the financing order and bring the securitized utility tariff bonds to market. In addition, these up-front financing costs include those costs, if any, incurred by the Commission to hire a financial advisor. Upfront financing costs are recovered from the issuance of the securitized utility tariff bonds. After the securitized utility tariff bonds are issued, the ongoing financing costs are those costs incurred to maintain the structure and are recovered through the collection of securitized utility tariff charges.

The Securitization Law requires that a financing order issued by the Commission to an electrical corporation include the following elements: (a) the amount of securitized utility tariff costs to be financed using securitized utility tariff bonds and a finding that recovery of such costs is just and reasonable and in the public interest; and a description and estimate of the amount of

[6] *See* § 393.1700-2.(3)(c)b.

financing costs that may be recovered through securitized utility tariff charges, as well as the period over which securitized utility tariff costs and financing costs may be recovered;[7] (b) a finding that the proposed issuance of securitized utility tariff bonds and the imposition and collection of a securitized utility tariff charge are just and reasonable and in the public interest and are expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds;[8] (c) a finding that the proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of the financing order;[9] (d) a requirement that, for so long as the securitized utility tariff bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of securitized utility tariff charges authorized under a financing order shall be non-bypassable and paid by all existing and future retail customers receiving electrical service from the electrical corporation or its successors or assignees under Commission-approved rate schedules except for customers receiving electrical service under special contracts on August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in the State of Missouri;[10] (e) a formula-based true-up mechanism for making, at least annually, expeditious periodic adjustments in the securitized utility tariff charges that customers are required to pay pursuant to the financing order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of securitized utility tariff bonds and financing costs and other required amounts and charges payable under the securitized utility tariff bonds;[11] (f) the securitized utility tariff property that is, or shall be, created in favor of an electrical corporation or its successors or assignees and that shall be used to pay or secure securitized utility tariff bonds and approved financing costs;[12] (g) the degree of flexibility to be

[7] *See* § 393.1700-2.(3)(c)a.
[8] *See* § 393.1700-2.(3)(c)b.
[9] *See* § 393.1700-2.(3)(c)c.
[10] *See* § 393.1700-2.(3)(c)d.
[11] *See* § 393.1700-2.(3)(c)e.
[12] *See* § 393.1700-2.(3)(c)f.

afforded to the electrical corporation in establishing the terms and conditions of the securitized utility tariff bonds, including, but not limited to, repayment schedules, expected interest rates, and other financing costs;[13] (h) how securitized utility tariff charges will be allocated among retail customer classes;[14] (i) a requirement that, after the final terms of an issuance of securitized utility tariff bonds have been established and before the issuance of securitized utility tariff bonds, the electrical corporation determines the resulting initial securitized utility tariff charge in accordance with the financing order, and that such initial securitized utility tariff charge be final and effective upon the issuance of such securitized utility tariff bonds with such charge to be reflected on a compliance tariff sheet bearing such charge;[15] (j) a method of tracing funds collected as securitized utility tariff charges, or other proceeds of securitized utility tariff property, determining that such method shall be deemed the method of tracing such funds and determining the identifiable cash proceeds of any securitized utility tariff property subject to a financing order under applicable law;[16] (k) a statement specifying a future ratemaking process to reconcile any differences between the actual securitized utility tariff costs financed by securitized utility tariff bonds and the final securitized utility tariff costs incurred by the electrical corporation or assignee provided that any such reconciliation shall not affect the amount of securitized utility tariff bonds or the associated securitized utility tariff charges paid by customers;[17] (l) a procedure that shall allow the electrical corporation to earn a return, at the cost of capital authorized from time to time by the Commission in the electrical corporation's rate proceedings, on any moneys advanced by the electrical corporation to fund capital accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to the securitized utility tariff bonds;[18] (m) a procedure for the treatment of accumulated deferred income taxes and excess deferred income taxes in connection with the retired or abandoned or to be retired or abandoned electric generating

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[13] *See* § 393.1700-2.(3)(c)g.

[14] *See* § 393.1700-2.(3)(c)h. "The initial allocation shall remain in effect until the electrical corporation completes a general rate proceeding, and once the commission's order from that general rate proceeding becomes final, all subsequent applications of an adjustment mechanism regarding securitized utility tariff charges shall incorporate changes in the allocation of costs to customers as detailed in the commission's order from the electrical corporation's most recent general rate proceeding."

[15] *See* § 393.1700-2.(3)(c)i.

[16] *See* § 393.1700-2.(3)(c)j.

[17] *See* § 393.1700-2.(3)(c)k.

[18] *See* § 393.1700-2.(3)(c)l.

facility, or in connection with retired or abandoned facilities included in qualified extraordinary costs;[19] (n) an outside date, which shall not be earlier than one year after the date the financing order is no longer subject to appeal, when the authority to issue securitized utility tariff bonds granted in such financing order shall expire;[20] and (o) any other conditions that the Commission considers appropriate and that are not inconsistent with the Securitization Law.[21]

Before the securitized utility tariff bonds may be issued, Liberty shall submit to the Commission an issuance advice letter following the determination of the final terms of such series of securitized utility tariff bonds no later than one day after the pricing of the securitized utility tariff bonds. The Commission shall have the authority to designate a representative or representatives from Commission Staff to provide input to Liberty and collaborate with Liberty in all facets of the process undertaken by Liberty to place the securitized utility tariff bonds to market so the Commission's representative or representatives can provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds on an expedited basis. Neither the designated representative or representatives from the Commission Staff nor any financial advisors advising Commission Staff shall have authority to direct how Liberty places the securitized utility tariff bonds to market although they shall be permitted to attend all meetings convened by Liberty to address placement of the securitized utility tariff bonds to market. The form of such issuance advice letter, which shall indicate the final structure of the securitized utility tariff bonds and provide the best available estimate of total ongoing financing costs, is set out in Appendix A to this Financing Order. The issuance advice letter shall report the initial securitized utility tariff charges and other information specific to the securitized utility tariff bonds to be issued, as the Commission may require. Liberty may proceed with the issuance of the securitized utility tariff bonds unless, prior to noon on the fourth business day after the day of

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[19] *See* § 393.1700-2.(3)(c)m. "The accumulated deferred income taxes, including excess deferred income taxes, shall be excluded from rate base in future general rate cases and the net tax benefits relating to amounts that will be recovered through the issuance of securitized utility tariff bonds shall be credited to retail customers by reducing the amount of such securitized utility tariff bonds that would otherwise be issued. The customer credit shall include the net present value of the tax benefits, calculated using a discount rate equal to the expected interest rate of the securitized utility tariff bonds, for the estimated accumulated and excess deferred income taxes at the time of securitization including timing differences created by the issuance of securitized utility tariff bonds amortized over the period of the bonds multiplied by the expected interest rate on such securitized utility tariff bonds."

[20] *See* § 393.1700-2.(3)(c)n.

[21] *See* § 393.1700-2.(3)(c)o.

pricing of the securitized utility tariff bonds, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval. Should Liberty cause the issuance of more than one series of securitized utility tariff bonds pursuant to this Financing Order, Liberty must submit to the Commission an issuance advice letter for each series that complies with the Statutory Requirements and terms of this Financing Order.[22]

Securitized utility tariff charges constitute securitized utility tariff charges as defined in Section 393.1700-1.(16) of the Securitization Law[23] and will be collected by an electrical corporation, its successors, an assignee, or other collection agents as provided for in this Financing Order from all existing or future retail customers receiving electrical service from the electrical corporation or its successors or assigned under Commission-approved rate schedules, except for customers receiving electrical service under special contracts[24] as of August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in the State of Missouri.[25] Securitized utility tariff charges will be allocated to customers in the same manner as the corresponding facilities relating to the securitized utility tariff costs and related expenses are allocated in a utility's current base rates (i.e., the same allocation as is set forth in existing Commission orders regarding Liberty's service area).[26]

The rights to impose, bill, charge, collect, and receive securitized utility tariff charges (including all other rights of an electrical corporation under this Financing Order) are only contract rights until such rights (which may relate to the entire amount authorized to be securitized or, if more than one series of securitized utility tariff bonds are issued due to market conditions, to a portion of the total amount authorized to be securitized) are first transferred to an assignee or pledged in connection with the issuance of securitized utility tariff bonds.[27] Upon the transfer or

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[22] *See* § 393.1700-2.(3)(h).
[23] *See* § 393.1700-1.(16).
[24] *See* § 393.1700-1.(19).
[25] *See* § 393.1700-1.(16).
[26] *See* § 393.1700-2.(3)(c)h.
[27] *See* § 393.1700-1.(18) and § 393.1700-5.(3)(c)

pledge of those rights, they become securitized utility tariff property and, as such, are afforded certain statutory protections to ensure that the charges are available for bond retirement.

This Financing Order contains terms, as it must, ensuring that the imposition and collection of securitized utility tariff charges authorized herein must be non-bypassable.[28] It also includes a mechanism requiring that securitized utility tariff charges be reviewed and adjusted at least annually to correct any overcollections or undercollections during the preceding 12 months and to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the securitized utility tariff bonds.[29] In addition to the required annual reviews, interim reviews are mandatory semi-annually (and quarterly beginning 12 months prior to the final scheduled payment date of the last tranche of the securitized utility tariff bonds of a particular series) to ensure that the amount of the securitized utility tariff charges matches the funding requirements approved in this Financing Order. Additional interim true-up adjustments may also be made under the circumstances set forth in this Financing Order. These provisions will help to ensure that the amount of securitized utility tariff charges paid by retail customers does not exceed the amounts necessary to cover the costs of this securitization. To encourage utilities to undertake securitization financing, other benefits and assurances are provided.

The State of Missouri and its agencies, including the Commission, have pledged and agree with the bondholders, the owners of the securitized utility tariff property and other financing parties that they will not take any action that would alter the provisions the Securitization Law, take or permit any action that impairs or would impair the value of securitized utility tariff property or the security for the securitized utility tariff bonds or revises the securitized utility tariff costs for which recovery is authorized, in any way to impair the rights and remedies of the bondholders, assignees, and other financing parties, or, except for the charges made pursuant to the formula-based true-up mechanism expressly authorized by the Securitization Law, reduce, alter or impair securitized utility tariff charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any

[28] *See* § 393.1700-1.(16).
[29] *See* § 393.1700-2.(3)(g).

contracts to be performed, in connection with the related securitized utility tariff bonds have been paid and performed in full.[30]

Securitized utility tariff property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, and the property will continue to exist for the duration of the pledge of the State of Missouri as described in the preceding paragraph.[31] In addition, the interests of an assignee or pledgee in securitized utility tariff property (as well as the revenues and collections arising from the property) are not subject to setoff, counterclaim, surcharge, or defense by the electrical corporation or any other person or in connection with the reorganization, bankruptcy, or other insolvency of the electrical corporation or any other entity.[32] The creation, perfection, priority, and enforcement of liens and security interests in securitized utility tariff property are governed by the Securitization Law and not by Missouri Uniform Commercial Code.[33]

The Commission may, at the request of an electrical corporation, commence a proceeding and issue a subsequent financing order providing for the refinancing, retiring, or refunding of securitized utility tariff bonds issued pursuant to the original financing order only upon making a finding that the subsequent financing order satisfies all of the criteria specified in Section 393.1700-2.(5). Liberty has not requested and this Financing Order does not grant any authority to refinance the securitized utility tariff bonds authorized by this Financing Order.

To facilitate compliance and consistency with applicable statutory provisions, this Financing Order adopts the definitions in Section 393.1700-1.

II. Description of Proposed Transaction

A description of the transaction proposed by Liberty is contained in its petition and the evidence submitted in support of the petition. A brief summary of the proposed transaction is provided in this section. A more detailed description is included in Section III.C, titled Structure of The Proposed Securitization and in the petition and evidence submitted in support of the petition.

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[30] *See* § 393.1700-11.
[31] *See* § 393.1700-1.(18).
[32] *See* § 393.1700-5.(1)(e).
[33] *See* § 393.1700-5.(2)(a). *See* § 400.

To facilitate the proposed financing, Liberty has proposed that (depending on whether more than one series of securitized utility tariff bonds are issued) one or more bankruptcy-remote special purpose entities (each referred to as BondCo) be created to which Liberty will transfer the rights to impose, bill, charge collect, and receive securitized utility tariff charges along with the other rights arising under this Financing Order including the right to obtain periodic adjustments to such charges, in each case allocable to the series of securitized utility tariff bonds the BondCo is issuing. Upon transfer to a BondCo (in connection with the issuance of the particular series of securitized utility tariff bonds), these rights will become securitized utility tariff property as provided by the Securitization Law. If securitized utility tariff bonds are issued in more than one series, then the securitized utility tariff property transferred as a result of each issuance must be only those rights associated with that portion of the total amount authorized to be securitized by this Financing Order which is securitized by a particular bond issuance. The rights to impose, bill, charge, collect, and receive securitized utility tariff charges, along with the other rights arising under this Financing Order including the right to obtain periodic adjustments to such charges and as they relate to any portion of the total amount authorized to be securitized that remains unsecuritized, must remain with Liberty and must not become securitized utility tariff property until transferred to a BondCo in connection with a subsequent issuance of securitized utility tariff bonds.

Liberty reserves the right to create a separate BondCo for the issuance of a particular series of the securitized utility tariff bonds; and the rights, obligations, structure and restrictions described in this Financing Order with respect to BondCo are applicable to each such purchaser of securitized utility tariff property to the extent of the securitized utility tariff property transferred and sold to it and the securitized utility tariff bonds issued by it. BondCo will issue securitized utility tariff bonds and will transfer the net proceeds from the sale of the securitized utility tariff bonds to Liberty in consideration for the transfer of the corresponding securitized utility tariff property. BondCo will be organized and managed in a manner designed to achieve the objective of maintaining BondCo as a bankruptcy-remote entity that would not be affected by the bankruptcy of Liberty or any other affiliates of Liberty or any of their respective successors. In addition, BondCo will have at least one independent director or manager whose approval will be required for certain major actions or organizational changes by BondCo.

The securitized utility tariff bonds will be issued under an indenture and administered by an indenture trustee.[34] The securitized utility tariff bonds will be secured by and payable solely out of the securitized utility tariff property created under this Financing Order and other collateral described in Liberty's petition. That collateral will be pledged to the indenture trustee for the benefit of the holders of the securitized utility tariff bonds and to secure payment of certain financing costs.

The servicer of the securitized utility tariff bonds will collect the securitized utility tariff charges and remit those amounts to the indenture trustee on behalf of BondCo. The servicer will be responsible for filing any required or allowed true-ups of the securitized utility tariff charges. If the servicer defaults on its obligations under the servicing agreement, the indenture trustee may, on behalf of the holders of securitized utility tariff bonds, appoint a successor servicer. Liberty will act as the initial servicer for the securitized utility tariff bonds.

Securitized utility tariff charges will be calculated to ensure the collection of an amount sufficient to service the principal, interest, and related charges for the securitized utility tariff bonds and in a manner that allocates this amount to the various classes of retail customers in the same manner as its most general rate proceeding. The securitized utility tariff charges will be calculated in accordance with the methods and terms described in the Company's Securitized Energy Transition Charge Rider SETC, a proforma copy of which is contained in Appendix B. In addition to the annual true-up required by Section 393.1700-2.(3)(e), interim true-ups must be performed semi-annually (and quarterly beginning 12 months prior the final scheduled payment date of the last tranche of the securitized utility tariff bonds of a particular series) if the servicer determines that a true-up adjustment is necessary to ensure that the expected recovery during the succeeding 12 months of amounts sufficient to pay scheduled principal and interest on the securitized utility tariff bonds, the ongoing financing costs and amounts necessary to replenish the draws on the capital subaccount and may be performed at other times as provided in this Financing Order. In the event the methodology for true-up adjustments approved in Liberty's Securitized Energy Transition Charge Rider SETC is revised, the servicer shall request a non-standard true-up

[34] If more than one series of securitized utility tariff bonds are issued, each series will be issued under a separate indenture and be subject to its own set of basic agreements (e.g., securitized utility tariff property purchase and sale agreement, securitized utility tariff property servicing agreement, administration agreement). For purposes of this Financing Order, the description of the securitized utility tariff bonds applies to each series of securitized utility tariff bonds.

adjustment as described in this Financing Order. If securitized utility tariff bonds are issued in more than one series, then each series will be subject to a separate true-up under the Securitization Law and this Financing Order; provided, however, that more than one series may be trued-up in a single proceeding.

The Commission determines that Liberty's proposed structure for the securitized utility tariff charges should be utilized. This structure provides for substantially levelized annual revenue requirements over the expected life of the securitized utility tariff bonds. This structure offers the benefit of not relying upon customer growth and will allow the resulting securitized utility tariff charges to remain level or decline over time, if billing determinants remain level or grow. Further, Liberty's proposed securitized utility tariff charge applies consistent allocation factors across rate classes, subject to modification in accordance with the true-up mechanisms adopted in this Financing Order.

A fixed interest rate is necessary to assure that customers benefit from the securitization. Although the benefits of fixed rates can be achieved through a combination of floating-rate bonds and interest-rate swaps, state utility commissions in prior securitizations in other states have concluded that the possible benefit of floating-rate bonds did not outweigh the cost of preparing for and executing interest-rate swaps and the potential risks swaps would impose on customers. As a result, the financing orders in those proceedings prohibited the use of swaps and thus, effectively, the issuance of floating-rate bonds.

Liberty requested approval of securitized utility tariff charges sufficient to recover the principal and interest on the securitized utility tariff bonds plus ongoing financing costs and other charges as described in this Financing Order and Appendix C attached hereto. Liberty requested that the securitized utility tariff charges be recovered from retail customers, and that the amount of the securitized utility tariff charges be calculated based upon the allocations used in its most recent rate case. To implement the securitized utility tariff charges and billing and collection requirements, Liberty requested approval of Securitized Energy Transition Charge Rider SETC to revise Liberty's tariff.

Liberty requested authority to finance and to cause the issuance of securitized utility tariff bonds in an aggregate principal amount not to exceed the sum of (1) energy transition costs (consisting of (i) net book value of the Asbury, (ii) incurred and estimated costs associated with environmental compliance and (iii) anticipated costs to decommission Asbury), (2) plus carrying costs at the date of issuance of the securitized utility tariff bonds calculated at the relevant weighted average cost of capital ("WACC") approved by this Commission in Case No. ER-2019-0374 plus (3) its actual upfront financing costs of issuing, supporting, and servicing the securitized utility tariff bonds (items (1) and (2) collectively referred to herein as the "securitizable balance"). Liberty provided an illustrative analysis of the costs and benefits of securitization using its estimate of the January 31, 2022 securitizable balance. Liberty proposed that these amounts be updated in the issuance advice letter to reflect the actual issuance date of the securitized utility tariff bonds and other relevant current information as permitted by this Financing Order, and that Liberty be authorized to securitize the updated securitizable balance and upfront financing costs as reflected in the issuance advice letter.

Liberty requested in the petition that its upfront and ongoing costs of issuing and maintaining the securitized utility tariff bonds be recovered respectively through the securitized utility tariff bonds and securitized utility tariff charges approved in this Financing Order. Liberty estimated that its upfront financing costs, not including any costs incurred in connection with the Commission hiring a financial advisor and/or legal counsel, would total approximately \$3.3 million, while ongoing financing costs of servicing and maintaining the securitized utility tariff bonds would total approximately \$347,000 per year for each year of the term of the bonds. The estimates were based on assumptions regarding a number of variables that will directly affect the level of upfront and ongoing financing costs including (1) the total securitizable balance will be approximately \$145 million, (2) only one series of securitized utility tariff bonds will be issued, (3) the financing order proceeding will not be contested, (4) the financing order will not permit use of interest rate or foreign currency hedges, floating rate bonds, or bonds denominated in foreign currencies, and (5) Liberty acts as servicer.

The Commission finds that Liberty should be permitted to finance its upfront financing costs of issuance in accordance with the terms of this Financing Order. As set forth in ordering paragraph 17 of this Financing Order, upfront financing costs, not including any costs incurred in connection with the Commission hiring a financial advisor, are estimated to be \$3.3 million. In the issuance advice letter, Liberty must report the actual upfront financing costs to be recovered.

Liberty is authorized to recover directly through the securitized utility tariff charges its actual ongoing financing costs of servicing the bonds and providing administrative services to BondCo. Ongoing financing costs, other than the servicer and administrative fees charged by

Liberty when it is the servicer and administrator are estimated in Appendix C. The estimated ongoing financing costs should be updated in the issuance advice letter to reflect more current information then available to Liberty. In accordance with the terms of this Financing Order and subject to the approval of the indenture trustee, the Commission will permit a successor servicer to Liberty to recover a higher servicer fee if Liberty ceases to service the securitized utility tariff property.

III. Findings of Fact

The Commission makes the following findings of fact.

A. Identification and Procedure

1. Identification of Petitioner and Background

1. The Empire District Electric Company d/b/a Liberty is a Kansas corporation with its principal office and place of business at 602 Joplin Street, Joplin, Missouri. Liberty is qualified to conduct business and is conducting business in Missouri, as well as in the states of Arkansas, Kansas, and Oklahoma. Liberty is engaged, generally, in the business of generating, purchasing, transmitting, distributing, and selling electricity in portions of the referenced four states. Liberty's Missouri operations are subject to the jurisdiction of the Commission as provided by law.

2. Procedural History

2. On [●], 2022, Liberty filed a petition for a financing order under the Securitization Law to reduce costs for customers associated with closing the Asbury Power Plant as part of its long-term plan to retire coal-fired power plants. In its petition, Liberty submits its costs associated with closing the Asbury Power Plant for a determination that they are "energy transition costs" as contemplated by the Securitization Law and seeks approval to finance (1) the securitizable balance of such costs, plus (2) upfront financing costs. The petition includes exhibits, schedules, attachments, and testimony.

3. Notice of Petition

B. Financing Costs and Amount of Securitized Utility Tariff Costs to be Financed

1. Identification

3. Energy transition costs are defined in Section 393.1700-1.(7) to include (a) pretax costs with respect to a retired or abandoned or to be retired or abandoned electric generating facility that is the subject of a petition for a financing order filed under this section where

such early retirement or abandonment is deemed reasonable and prudent by the Commission through a final order issued by the Commission, include, but are not limited to, the undepreciated investment in the retired or abandoned or to be retired or abandoned electric generating facility and any facilities ancillary thereto or used in conjunction therewith, costs of decommissioning and restoring the site of the electric generating facility, other applicable capital and operating costs, accrued carrying charges, and deferred expenses, with the foregoing to be reduced by applicable tax benefits of accumulated and excess deferred income taxes, insurance, scrap and salvage proceeds, and may include the cost of retiring any existing indebtedness, fees, costs, and expenses to modify existing debt agreements or for waivers or consents related to existing debt agreements; and (b) pretax costs that an electrical corporation has previously incurred related to the retirement or abandonment of such an electric generating facility occurring before August 28, 2021. Financing costs are defined in Section 393.1700-1.(8) to include: (i) interest and acquisition, defeasance, or redemption premiums payable on securitized utility tariff bonds; (ii) any payment required under an ancillary agreement and any amount required to fund or replenish a accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to securitized utility tariff bonds; (iii) any other cost related to issuing supporting, repaying, refunding, and servicing securitized utility tariff bonds, including servicing fees, accounting and auditing fees, trustee fees, legal fees, consulting fees, structuring adviser fees, administrative fees, placement and underwriting fees, independent director and manager fees, capitalized interest, rating agency fees, stock exchange listing and compliance fees, security registration fees, filing fees, information technology programming costs, and any other costs necessary to otherwise ensure the timely payment of securitized utility tariff bonds or other amounts or charges payable in connection with the bonds, including costs related to obtaining the financing order; (iv) any taxes and license fees or other fees imposed on the revenues generated from the collection of securitized utility tariff charges, in any such case whether paid, payable, or accrued; (v) any state and located taxes, franchise, gross receipts, and other taxes or similar charges, including Commission assessment fees, whether paid, payable, or accrued; (vi) and any costs associated with performance of the Commission's responsibilities under the Securitization Law in connection with approving, approving subject to conditions, or rejecting a petition for a financing order, and in performing its duties in connection with the issuance advice letter process, including costs to retain counsel, one or more financial advisors, or other consultants as deemed appropriate by the Commission.

4. The actual upfront and ongoing financing costs of issuing and supporting the securitized utility tariff bonds will not be known until the securitized utility tariff bonds are issued, and certain ongoing financing costs relating to the securitized utility tariff bonds may not be known until such costs are incurred.

5. Liberty seeks to recover its energy transition costs incurred in connection with retiring Asbury, a 200-megawatt (MW) coal plant, on March 1, 2020.[35] Prior to its retirement, Asbury had become uneconomic with a net capacity factor that had dropped significantly from 2010 to 2019. Had it stayed in operation, Asbury would have required significant environmental upgrades to comply with the Environmental Protection Agency's coal combustion residuals rules ("CCR"). Liberty undertook an analysis of Asbury's economics in both 2017 and 2019, finding in its 2019 Integrated Resource Plan ("IRP") that retiring Asbury would result in significant savings for Liberty's customers. Making investments required for Asbury to meet the CCR standard did not make economic sense to Liberty given a lower cost way to serve its customers was available and consistent with Missouri's Energy Policy. In retiring Asbury, Liberty was responding to a combination of market signals. Aside from the plant's declining economics, the retirement also reflected Liberty's awareness of the trends in both federal and state policy away from coal generation. As a result, Liberty was directed to establish a regulatory asset or liability account, beginning January 1, 2022, to reflect the impact of the closure of Asbury. As shown in the testimonies of Company Witnesses Doll and Rooney, these costs were prudently incurred. Furthermore, as demonstrated by the testimony of Company Witness Emery, if Liberty were to recover these amounts through traditional method of financing, it would need to recover approximately $213 million over the projected 13-year period. Therefore, the quantifiable benefit to the customers on a net present value basis from the use of securitization is expected to be approximately $32 million over the same 13-year period.

[35] See Section 393.1700-2.(1)(a).

6. Liberty intends to use the proceeds from the sale of the securitized utility tariff property to recover the energy transition costs incurred by Liberty in response to retiring Asbury, including purchases of fuel or power, carrying charges, deferred legal expenses and upfront financing costs.

7. Liberty seeks to finance approximately $145,019,637, consisting of (1) the securitizable balance of (i) $140,279,157 of securitized utility tariff costs incurred following retiring Asbury through the issuance of securitized utility tariff bonds, plus (ii) $5,634,267 of carry costs[36], plus, (iii) of deferred legal costs, plus (2) approximately $3.3 million of upfront financing costs.[37] The recovery of such costs is just and reasonable and in the public interest. It is appropriate that Liberty recover such amounts through the imposition of securitized utility tariff charges. Liberty proposed that the securitized utility tariff charges related to a series of securitized utility tariff bonds will be recovered over a scheduled period of 13 years, but not more than 15 years from the date of issuance of that series of the securitized utility tariff bonds but that amounts due at or before the end of that period for securitized utility tariff charges allocable to the 15 year period may be collected after the conclusion of the 15-year period; provided, however, the proposed recovery period of the securitized utility tariff charges may be longer if deemed necessary to obtain the best possible credit ratings.

8. The securitized utility tariff charges that Liberty proposes are just and reasonable, in the public interest and are expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds. It is appropriate that Liberty be authorized to impose and collect securitized utility tariff charges.

9. The proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of this Financing Order.

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[36] Carrying costs from May 2022 through bond issuance date estimated to occur December 2022

[37] Upfront financing costs are estimated for purposes of this petition, and do not include an estimate of the costs of the Commission or any legal or financial advisor hired by the Commission. The final amount of upfront financing costs will be included in the Issuance Advice Letter provided to the Commission in accordance with this Financing Order.

10. For so long as the securitized utility tariff bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of securitized utility tariff charges authorized under this Financing Order shall be non-bypassable and paid by all existing and future retail customers receiving electrical service from Liberty or its successors or assignees under Commission-approved rate schedules except for customers receiving electrical service under special contracts as of August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in the State of Missouri.
11. Liberty proposes a formula-based true-up mechanism for making, at least annually, expeditious periodic adjustments in the securitized utility tariff charges that customers are required to pay pursuant to this Financing Order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of securitized utility tariff bonds and financing costs and other required amounts and charges payable under the securitized utility tariff bonds.
12. The securitized utility tariff bonds will be secured by securitized utility tariff property that shall be created in favor of Liberty or its successors or assignees and that shall be used to pay or secure the securitized utility tariff bonds and approved financing costs. The securitized utility tariff property principally consists of the right to receive revenues from the securitized utility tariff charges.
13. It is appropriate that Liberty be authorized to establish the terms and conditions of the securitized utility tariff bonds, including, but not limited to, repayment schedules, expected interest rates, and other financing costs.
14. Liberty proposes to initially allocate the securitized utility tariff charges in accordance with its most recent general rate proceeding.[38]
15. After the final terms of the securitized utility tariff bonds have been established and before the issuance of such bonds, it is appropriate for Liberty to determine the resulting initial securitized utility tariff charge in accordance with this Finance Order, and that such initial charge be final and effective upon the issuance of such securitized utility tariff bonds with such charge to be reflected on a compliance tariff sheet bearing such charge.

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[38] *See* § 393.1700-2.(3)(c)h.

16. Liberty proposes a method of tracing funds collected as securitized utility tariff charges, or other proceeds of securitized utility tariff property, which shall be used to trace such funds and to determine the identifiable cash proceeds of any securitized tariff property subject to this Financing Order under applicable law.

17. Liberty shall earn a return, at the WACC authorized from time to time by the Commission in Liberty's rate proceedings, on any moneys advanced by Liberty to fund capital accounts established under the terms of the indenture, ancillary agreement, or other financing documents pertaining to the securitized utility bonds. This return shall be included as an ongoing financing cost to be collected through securitized utility tariff charges.

18. It is appropriate that Liberty shall be authorized to issue securitized utility tariff bonds pursuant to this Financing Order for a period commencing with the date of this Financing Order and extending 24 months following the later of (i) the date on which this Financing Order becomes final and no longer subject to any appeal; or (ii) the date on which any other regulatory approvals necessary to issue the securitized utility tariff bonds are obtained and no longer subject to any appeal. If, at any time during the effective period of this Financing Order, there is a severe disruption in the financial markets of the United States, the effective period must automatically be extended to a date which is not less than 90 days after the date such disruption ends.

2. Quantifiable Net Present Value Benefits

19. In accordance with the Statutory Requirements under the Securitization Law, to approve the financing of the securitized utility tariff costs and financing costs, the Commission must determine: (1) the amount of securitized utility tariff costs to be financed using securitized utility tariff bonds and whether that recovery of such costs is just and reasonable and in the public interest; (2) whether the proposed issuance of securitized utility tariff bonds and the imposition of a securitized utility tariff charge are just and reasonable; in the public interest; and expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds (quantifiable benefits test); and (3) that the proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of

the financing order (lowest charges standard). The quantifiable benefits test and the lowest charges standard are collectively referred to herein as the "Statutory Requirements".

20. To ensure the financing provides quantifiable benefits to customers greater than would be achieved absent the issuance of securitized utility tariff bonds can only be determined using an economic analysis to account for the time value of money. An analysis that compares in the aggregate, over the expected life of the securitized utility tariff bonds, the present value of the revenue requirement associated with recovery of the securitizable balance through rates reflective of conventional utility financing, with the present value of the revenue required under securitization, is an appropriate economic analysis to demonstrate whether securitization provides economic benefits to customers.[39]

21. The financial analysis presented by Liberty indicates that securitization of the securitizable balance and other financing costs as requested by Liberty would result in approximately $32 million of quantifiable economic benefits to customers on a present-value basis if the securitized utility tariff bonds are issued at a weighted average interest rate of 6.77% allowed by this Financing Order and with a 13-year expected life. This estimate uses Liberty's securitizable balance as of (approximately $142 million), and assumes that actual upfront and ongoing financing costs will be as shown on Appendix C to this Financing Order. The benefits for retail customers set forth in Liberty's evidence are fully indicative of the benefits customers will realize from the securitization approved in this Financing Order; however, the actual benefit to customers will depend upon market conditions on the date of issuance of the securitized utility tariff bonds, the actual scheduled maturity of the securitized utility tariff bonds, and the amount actually securitized. Liberty will be required to provide an updated quantifiable benefits analysis in its issuance advice letter to verify that this Statutory Requirement is met.

3. Balance to be Financed

22. It is appropriate that Liberty be authorized to cause securitized utility tariff bonds to be issued in an aggregate principal amount equal to the securitizable balance at the time of issuance plus upfront financing costs as described in ordering paragraph 2.

[39] See Emery testimony, page 18.

23. It is appropriate for Liberty to recover the annual ongoing servicing fees and the annual fixed operating costs directly through securitized utility tariff charges. It is also appropriate to impose additional limits to ensure that the servicing fees incurred when Liberty serves as servicer do not exceed 0.05% of the initial principal balance of the securitized utility tariff bonds and that the administrative fees incurred when Liberty is the administrator do not exceed $50,000 per year for each BondCo plus reimbursable third party costs as shown in Appendix C. The annual servicing fee payable to a servicer not affiliated with Liberty will not exceed 0.60% of the initial principal balance of the securitized utility tariff bonds unless such higher rate is approved by the Commission. Ongoing costs other than the servicer and administrative fees charged by Liberty when it serves as servicer and administrator are estimated in Appendix C to this Financing Order.

4. Issuance Advice Letter

24. Because the actual structure and pricing of the securitized utility tariff bonds will not be known at the time this Financing Order is issued, following the determination of the final terms of the series of securitized utility tariff bonds and before such securitized utility tariff bonds may be issued, Liberty must provide to the Commission an issuance advice letter no later than one day after the pricing of the securitized utility tariff bonds. The issuance advice letter will include Liberty's best estimate of total upfront financing costs for such issuance. The Commission shall have the authority to designate a representative or representatives from Commission Staff, who may be advised by a financial advisor or advisors contracted with the Commission, to provide input to Liberty and collaborate with Liberty in all facets of the process undertaken by Liberty to place the securitized utility tariff bonds to market so the Commission's representative or representatives can provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds on an expedited basis. Neither the designated representative or representatives from the Commission Staff nor one or more financial advisors advising Commission Staff shall have authority to direct how Liberty places the securitized utility tariff bonds to market although they shall be permitted to attend all meetings convened by Liberty to address placement of the securitized utility tariff bonds to market. The form of such issuance advice letter, which shall indicate the final structure of the securitized utility tariff bonds and provide the best available estimate of total ongoing

financing costs, is set out in Appendix A to this Financing Order. The issuance advice letter shall report the initial securitized utility tariff charges and other information specific to the securitized utility tariff bonds to be issued, as the Commission may require. Liberty may proceed with the issuance of the securitized utility tariff bonds unless, prior to noon on the fourth business day after pricing of the securitized utility tariff bonds, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval. Should Liberty issue more than one series of securitized utility tariff bonds, Liberty must submit to the Commission an issuance advice letter for each series that complies with the Statutory Requirements and terms of this Financing Order.

25. If the actual upfront financing costs are less than the upfront financing costs included in the principal amount securitized, the periodic billing requirement, defined below, for the first annual true-up adjustment must be reduced by the amount of such unused funds (together with interest, if any, earned on the investment of such funds). If the actual upfront financing costs are more than the upfront financing costs included in the principal amount securitized, Liberty may request recovery of the remaining upfront financing costs through a surcharge to Liberty's rates for distribution service.

26. Liberty will submit a draft issuance advice letter to the Commission Staff for review not later than two weeks before the expected date of commencement of marketing each series of securitized utility tariff bonds. With agreement the Commission's designated representative from Commission Staff, the actual date of the commencement of marketing may be a date other than the expected date. Within one week after receipt of the draft issuance advice letter, Commission Staff will provide Liberty comments and recommendations regarding the adequacy of the information provided.

27. The issuance advice letter for a series of securitized utility tariff bonds must be submitted to the Commission not later than the end of the first business day after the pricing of such series of securitized utility tariff bonds. Commission Staff may request such revisions of the issuance advice letter as may be necessary to assure the accuracy of the calculations and that the requirements of the Securitization Law and of this Financing Order have been met. The initial securitized utility tariff charges and the final terms of the securitized utility tariff bonds set forth in the issuance advice letter must become effective on the date of

issuance of the securitized utility tariff bonds (which must not occur before the fifth business day after pricing of the securitized utility tariff bonds) unless before noon on the fourth business day after pricing of the securitized utility tariff bonds, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval

C. Structure of the Proposed Securitization

1. BondCo

28. For purposes of this securitization, Liberty will create one or more BondCos, a special purpose securitized utility tariff funding entity (each of which referred to as BondCo), each of which will be a Delaware limited liability company with Liberty as its sole member. If more than one series of securitized utility tariff bonds are issued, Liberty may create a separate BondCo for the issuance of a particular series of securitized utility tariff bonds and the rights, structure and restrictions described in this Financing Order with respect to BondCo will be applicable to each such purchaser of securitized utility tariff property to the extent of the securitized utility tariff property sold to it and the securitized utility tariff bonds issued by it. BondCo will be formed for the limited purpose of acquiring securitized utility tariff property, issuing securitized utility tariff bonds in one or more tranches (and in one or more series if Liberty elects to pursue such a structure), and performing other activities relating thereto or otherwise authorized by this Financing Order. BondCo will not be permitted to engage in any other activities and will have no assets other than securitized utility tariff property and related assets to support its obligations under each series of securitized utility tariff bonds. Obligations relating to the securitized utility tariff bonds will be BondCo's only significant liabilities. These restrictions on the activities of BondCo and restrictions on the ability of Liberty to take action on BondCo's behalf are imposed to achieve the objective that BondCo will be bankruptcy remote and not affected by a bankruptcy of Liberty. BondCo will be managed by a board of directors or a board of managers with rights and duties similar to those of a board of directors of a corporation. As long as the securitized utility tariff bonds remain outstanding, BondCo will be overseen by at least one independent director or manager to ensure that it only takes actions consistent with its obligations as the holder of the equity interest of the securitized utility tariff bonds. BondCo will not be permitted to amend the provisions of the organizational

documents that relate to bankruptcy-remoteness of BondCo without the consent of the independent director or manager. Similarly, BondCo will not be permitted to institute bankruptcy or insolvency proceedings or to consent to the institution of bankruptcy or insolvency proceedings against it, or to dissolve, liquidate, consolidate, convert, or merge without the consent of the independent director or manager. Other restrictions to facilitate bankruptcy-remoteness may also be included in the organizational documents of BondCo as required by the rating agencies.

29. The initial capital of BondCo is expected to be not less than 0.50% of the original principal amount of the securitized utility tariff bonds issued by BondCo. Adequate funding of BondCo at this level is intended to protect the bankruptcy remoteness of BondCo. A sufficient level of capital is necessary to minimize this risk and, therefore, assist in achieving the lowest securitized utility tariff charges possible.

2. Statutory Requirements

30. BondCo will issue one or more series of securitized utility tariff bonds consisting of one or more tranches. The aggregate amount of all tranches of all series of securitized utility tariff bonds issued under this Financing Order must not exceed the principal amount approved by this Financing Order. BondCo will pledge to the indenture trustee, as collateral for payment of the securitized utility tariff bonds, the securitized utility tariff property, including BondCo's right to receive the securitized utility tariff charges as and when collected, and certain other collateral described in Liberty's petition.

31. Concurrent with the issuance of any of the securitized utility tariff bonds, Liberty will transfer to BondCo all of Liberty's rights under this Financing Order related to the amount of securitized utility tariff bonds BondCo is issuing, including rights to impose, collect, and receive securitized utility tariff charges approved in this Financing Order. This transfer will be structured so that it will qualify as a true sale within the meaning of Section 393.1700-5.(3) and that such rights will become securitized utility tariff property concurrently with the sale to BondCo as provided in Section 393.1700-2.(3)(d). By virtue of the transfer, BondCo will acquire all of the right, title, and interest of Liberty in the securitized utility tariff property arising under this Financing Order that is related to the amount of securitized utility tariff bonds BondCo is issuing.

32. The use and proposed structure of BondCo and the limitations related to its organization and management are necessary to minimize risks related to the proposed securitization transactions and to minimize the securitized utility tariff charges. Therefore, the use and proposed structure of BondCo should be approved.

3. Credit Enhancement and Arrangements to Enhance Marketability

33. Liberty should be permitted to recover the ongoing costs of any credit enhancements and arrangements to enhance marketability, provided that such credit enhancements are consistent with Statutory Requirements. If the use of de minimis original issue discount, credit enhancements, or other arrangements is proposed by Liberty, Liberty must provide the Commission's designated representative copies of all cost-benefit analyses performed by or for Liberty that support the request to use such arrangements. This finding does not apply to the collection account or its subaccounts approved in this Financing Order.

34. Liberty's proposed use of credit enhancements and arrangements to enhance marketability is reasonable and should be approved.

4. Securitized Utility Tariff Property

35. Under Section 393.1700-1.(18), securitized utility tariff property constitutes all rights and interests of an electrical corporation or successor or assignee of the electrical corporation under a financing order, including the right to impose, bill, charge, collect, and receive securitization utility tariff charges authorized under a financing order and to obtain periodic adjustments to such charges, and all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in a financing order, regardless of whether such revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payments, payments, money or proceeds.

36. If securitized utility tariff bonds are issued in more than one series, then the securitized utility tariff property transferred as a result of each issuance must be only those rights associated with that portion of the total amount of energy transition costs authorized to be financed by this Financing Order which is securitized by such issuance. The rights to impose, bill, charge, collect, and receive securitized utility tariff charges along with the other rights arising under this Financing Order as they relate to any portion of the total

amount of energy transition costs authorized to be financed that remains unsecuritized must remain with Liberty.

37. Securitized utility tariff property and all other collateral will be held and administered by the indenture trustee under the indenture, as described in Liberty's petition. This proposal will help satisfy the Statutory Requirements and should be approved.

5. Servicer and the Servicing Agreement

38. Liberty will execute a servicing agreement with BondCo. The servicing agreement may be amended, renewed or replaced by another servicing agreement. The entity responsible for carrying out the servicing obligations under any servicing agreement is the servicer. Liberty will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement and as authorized by the Commission. Under the servicing agreement, the servicer is required, among other things, to impose and collect the applicable securitized utility tariff charges for the benefit and account of BondCo, to make the periodic true-up adjustments of securitized utility tariff charges required or allowed by this Financing Order, and to account for and remit the applicable securitized utility tariff charges to or for the account of BondCo in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any servicer fails to perform its servicing obligations in any material respect, the indenture trustee acting under the indenture to be entered into in connection with the issuance of the securitized utility tariff bonds, or the indenture trustee's designee, may, or, upon the instruction of the requisite percentage of holders of the outstanding amount of securitized utility tariff bonds, must, appoint an alternate party to replace the defaulting servicer, in which case the replacement servicer will perform the obligations of the servicer under the servicing agreement. The obligations of the servicer under the servicing agreement and the circumstances under which an alternate servicer may be appointed will be more fully described in the servicing agreement. The rights of BondCo under the servicing agreement will be included in the collateral pledged to the indenture trustee under the indenture for the benefit of holders of the securitized utility tariff bonds.

39. The obligations to continue to provide service and to collect and account for securitized utility tariff charges will be binding upon Liberty and any other entity that provides electrical services to a person that is a retail customer located within Liberty's service area as it existed on the date of this Financing Order, or that became a retail customer for electric services within such area after the date of this Financing Order, and is still located within such area. The Commission will enforce the obligations imposed by this Financing Order, its applicable substantive rules, and statutory provisions.

40. To the extent that any interest in the securitized utility tariff property created by this Financing Order is assigned, sold or transferred to an assignee,[40] Liberty will enter into a contract with that assignee that will require Liberty to continue to provide electrical services to Liberty's customers. This provision does not prohibit Liberty from selling, assigning or otherwise divesting its transmission and distribution system or any part thereof so long as the entity acquiring such facilities agrees to continue operating the facilities to provide electric services to Liberty's customers.

41. The provisions described in finding of fact numbers 37 through 40 are reasonable, will reduce risk associated with the proposed securitization and will help satisfy the Statutory Requirements and should be approved.

6. Securitized Utility Tariff Bonds

42. BondCo will issue and sell securitized utility tariff bonds in one or more series consisting of one or more tranches. The legal final maturity date of any series of securitized utility tariff bonds will not exceed 15 years from the date of issuance of such series. The legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by Liberty and the Commission's designated representative, consistent with market conditions and indications of the rating agencies, at the time the securitized utility tariff bonds are priced, but subject to ultimate Commission review through the issuance advice letter process. Liberty will retain sole discretion regarding whether or when to assign, sell, or otherwise transfer any rights concerning securitized utility tariff property arising under this Financing Order, or to cause the issuance of any

[40] The term assignee means any corporation, limited liability company, general partnership or limited partnership, public authority, trust, financing entity, or other legally recognized entity to which an interest in securitized utility tariff property is transferred, other than as security, including any assignee of that party. *See* § 393.1700-1.(2).

securitized utility tariff bonds authorized in this Financing Order, subject to the right of the Commission to issue a disapproval letter. BondCo will issue the securitized utility tariff bonds on or after the fifth business day after pricing of the securitized utility tariff bonds unless, before noon on the fourth business day following pricing of the securitized utility tariff bonds, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval.

43. The Commission finds that the proposed structure—providing for substantially levelized annual revenue requirements over the expected life of the securitized utility tariff bonds—is in the public interest and should be used. The approved structure is reasonable and should be approved, provided that the issuance advice letter demonstrates that the Statutory Requirements are met.

7. Security for Securitized Utility Tariff Bonds

44. The payment of the securitized utility tariff bonds and related charges authorized by this Financing Order is to be secured by the securitized utility tariff property created by this Financing Order and by certain other collateral as described in the petition. Each series of the securitized utility tariff bonds will be issued under an indenture administered by the indenture trustee. The indenture will include provisions for a collection account for the series and subaccounts for the collection and administration of the securitized utility tariff charges and payment or funding of the principal and interest on the securitized utility tariff bonds and other costs, including fees and expenses, in connection with the securitized utility tariff bonds, as described in Liberty's petition. In accordance with the indenture, BondCo will establish a collection account as a trust account to be held by the indenture trustee as collateral to ensure the payment of the principal, interest, and other costs approved in this Financing Order related to the securitized utility tariff bonds in full and on a timely basis. The collection account will include the general subaccount, the capital subaccount, and the excess funds subaccount, and may include other subaccounts.

a. The General Subaccount

45. The indenture trustee will deposit the securitized utility tariff charge remittances that the servicer remits to the indenture trustee for the account of BondCo into one or more segregated trust accounts and allocate the amount of those remittances to the general subaccount. The indenture trustee will on a periodic basis apply moneys in this subaccount

to pay expenses of BondCo, to pay principal and interest on the securitized utility tariff bonds, and to meet the funding requirements of the other subaccounts. The funds in the general subaccount will be invested by the indenture trustee in short-term high-quality investments, and such funds (including, to the extent necessary, investment earnings) will be applied by the indenture trustee to pay principal and interest on the securitized utility tariff bonds and all other components of the periodic payment requirement (as defined in finding of fact number 56), and otherwise in accordance with the terms of the indenture.

b. The Capital Subaccount

46. When a series of securitized utility tariff bonds is issued, Liberty will make a capital contribution to BondCo for that series, which BondCo will deposit into the capital subaccount. The amount of the capital contribution is expected to be not less than 0.50% of the original principal amount of each series of securitized utility tariff bonds, although the actual amount will depend on tax and rating agency requirements. The capital subaccount will serve as collateral to ensure timely payment of principal and interest on the securitized utility tariff bonds and all other components of the periodic payment requirement. Any funds drawn from the capital account to pay these amounts due to a shortfall in the securitized utility tariff charge remittances will be replenished through future securitized utility tariff charge remittances. The funds in this subaccount will be invested by the indenture trustee in short-term high-quality investments, and such funds (including investment earnings) will be used by the indenture trustee to pay principal and interest on the securitized utility tariff bonds and all other components of the periodic payment requirement. Liberty will be authorized to receive a return on the capital contribution at the WACC authorized in Case No. ER-2019-0374. The required revenue, if any, to provide the annual return at the pre-tax equity return established in Liberty's most recent base-rate case is an ongoing financing cost. Upon payment of the principal amount of all securitized utility tariff bonds and the discharge of all obligations that may be paid by use of securitized utility tariff charges, all amounts in the capital subaccount, including any investment earnings, will be released to BondCo for payment to Liberty. Investment earnings in this subaccount may be released earlier in accordance with the indenture.

c. The Excess Funds Subaccount

47. The excess funds subaccount will hold any securitized utility tariff charge remittances and investment earnings on the collection account in excess of the amounts needed to pay current principal and interest on the securitized utility tariff bonds and to pay other periodic payment requirements (including, but not limited to, replenishing the capital subaccount). Any balance in or allocated to the excess funds subaccount on a true-up adjustment date will be subtracted from the periodic billing requirement (as defined in finding of fact number 57) for purposes of the true-up adjustment. The money in this subaccount will be invested by the indenture trustee in short-term high-quality investments, and such money (including investment earnings thereon) will be used by the indenture trustee to pay principal and interest on the securitized utility tariff bonds and other periodic payment requirements.

d. Other Subaccounts

48. Other credit enhancements in the form of subaccounts may be utilized for the transaction provided that the use of such subaccounts is consistent with the Statutory Requirements. For example, Liberty does not propose use of an overcollateralization subaccount. Under Rev. Proc. 2002-49, as modified, amplified and superseded by Rev. Proc. 2005-62 issued by the Internal Revenue Service (IRS), the use of an overcollateralization subaccount is not necessary for favorable tax treatment nor does it appear to be necessary to obtain AAA ratings for the proposed securitized utility tariff bonds. If the Commission's designated representative and Liberty subsequently agree, however, that use of an overcollateralization subaccount or other subaccount are necessary to obtain AAA ratings or will otherwise increase the quantifiable benefits of the securitization, Liberty may implement such subaccounts to reduce securitized utility tariff bond charges.

8. General Provisions

49. The collection account and the subaccounts described above are intended to provide for full and timely payment of scheduled principal and interest on the securitized utility tariff bonds and all other components of the periodic payment requirement. If the amount of securitized utility tariff charges remitted to the general subaccount is insufficient to make all scheduled payments of principal and interest on the securitized utility tariff bonds and to make payment on all of the other components of the periodic payment requirement, the

excess funds subaccount and the capital subaccount will be drawn down, in that order, to make those payments. Any deficiency in the capital subaccount due to such withdrawals must be replenished to the capital subaccount on a periodic basis through the true-up process. In addition to the foregoing, there may be such additional accounts and subaccounts as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Such accounts will be administered and utilized as set forth in the servicing agreement and the indenture. Upon the maturity of the securitized utility tariff bonds and the discharge of all obligations in respect thereof, remaining amounts in the collection account, other than amounts that were in the capital subaccount, will be released to BondCo and equivalent amounts will be credited by Liberty to customers. Amounts remaining in the capital subaccount at that time will be released to BondCo for payment to Liberty. In addition, upon the maturity of the securitized utility tariff bonds, to the extent the capital subaccount is not depleted below its original amount, any subsequently collected securitized utility tariff charges shall be distributed to retail customers.

50. The use of a collection account and its subaccounts in the manner proposed by Liberty is reasonable, will lower risks associated with the securitization and thus helps meet the Statutory Requirement, and should, therefore, be approved.

9. Securitized Utility Tariff Charges—Imposition and Collection, Nonbypassability, and Alternative Electric Suppliers

51. In the event the State of Missouri permits third party billing, the securitized utility tariff charges must continue to be collected by a third party biller and remitted to BondCo.

52. Securitized utility tariff charges will be separately identified on bills presented to other entities obligated to pay or collect securitized utility tariff charges.

53. If any customer does not pay the full amount it has been billed, the amount will be allocated to the securitized utility tariff charges in the same proportion that such charges bear to the total bill. The first dollars collected would be attributed to past due balances, if any. If cash collections are not sufficient to pay a customer's current bill once those balances are paid in full then the cash would be prorated between the different components of the bill.

54. Liberty will collect securitized utility tariff charges from all existing or future retail customers receiving electrical service from Liberty or is successors or assignees under Commission-approved rate schedules, except for customers receiving electrical service

under special contracts[41] as of August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electricity supplier following a change in regulation of public utilities in Missouri. Any such existing or future retail customer within such area may not avoid securitized utility tariff charges by switching to another electrical corporation, electric cooperative, or municipally owned utility on or after the date this Financing Order is issued.

55. Liberty's proposal related to imposition and collection of securitized utility tariff charges is reasonable and is necessary to ensure collection of securitized utility tariff charges sufficient to support recovery of the securitized utility tariff costs and financing costs approved in this Financing Order and should be approved. It is reasonable to approve the form of Liberty's Securitized Energy Transition Charge Rider SETC in this Financing Order and require that these tariff provisions be filed before any securitized utility tariff bonds are issued under this Financing Order.

10. Allocation of Financing Costs Among Missouri Retail Customers

56. The periodic payment requirement is the required periodic payment for a given period (e.g., annually, semi-annually, or quarterly) due under the securitized utility tariff bonds. Each periodic payment requirement includes: (a) the principal amortization of the securitized utility tariff bonds in accordance with the expected amortization schedule (including deficiencies of previously scheduled principal for any reason); (b) periodic interest on the securitized utility tariff bonds (including any accrued and unpaid interest); and (c) ongoing financing costs consisting of the servicing fee, rating agencies' fees, trustee fees, legal and accounting fees, other ongoing fees and expenses, and the costs, if any, of maintaining any credit enhancement. The initial periodic payment requirement for the securitized utility tariff bonds issued under this Financing Order should be updated in the issuance advice letter.

57. The periodic billing requirement represents the aggregate dollar amount of securitized utility tariff charges that must be billed during a given period (e.g., annually, semi-annually, or quarterly) so that the securitized utility tariff charge collections will be sufficient to meet the sum of all periodic payment requirement for that period, given: (i)

[41] *See* § 393.1700-1.(19).

forecast usage data for the period; (ii) forecast uncollectibles for the period; and (iii) forecast lags in collection of billed securitized utility tariff charges for the period.

58. The securitized utility tariff costs and financing costs that will be recovered through the securitized utility tariff charges authorized by this Financing Order are allocated among the customer classes using an approach based on the rate classes established by the Class Cost of Service Study, referred to as the periodic billing requirement allocation factors (PBRAFs) to be approved in Case No. ER-2021-0312. In accordance with Section 393.1700-2.(3)(c)h., Liberty proposes that its initial allocation shall remain in effect until it completes a general rate proceeding, and once the Commission's order from that general rate proceeding becomes final, all subsequent applications of an adjustment mechanism regarding securitization utility tariff charges shall incorporate changes in the allocation of costs to customers as detailed in the Commissions' order from Liberty's most recent general rate proceeding. This approach is reasonable and the allocation factors calculated in accordance with it should be adopted.

59. Under the approach described in finding of fact number 58, the Commission adopts the following allocation factors:

Class	Allocation Factors
Residential	45%
Commercial	9%
Small Heating	2%
General Power	18%
Transmission	1%
Total Electric Building	8%
Feed Mill	0%
Large Power	16%
Misc. Service	0%
Street Lighting	1%
Private Lighting	1%
Special Lighting	0%
Total/Average*	100%

*Totals may not add due to rounding

11. True-Up of Securitized Utility Tariff Charges

60. Under Section 393.1700-2.(3)(c)e., the servicer of the securitized utility tariff bonds will use a formula-based true-up mechanism to make periodic, expeditious adjustments, at least annually, to the securitized utility tariff charges to:

(a) correct any undercollections or overcollections that may have occurred and ensure that BondCo receives payments that are required to satisfy the debt obligations and other required amounts, including without limitation any caused by defaults, during the preceding 12 months; and

(b) ensure the billing of securitized utility tariff charges necessary to generate the collection amounts sufficient to timely provide all scheduled payments of principal and interest (or deposits to sinking funds in respect of principal and interest) and any other amounts due in connection with the securitized utility tariff bonds (including ongoing fees and expenses and amounts required to be deposited in or allocated to any collection account or subaccount, trustee indemnities, payments due in connection with any expenses incurred by the indenture trustee or the servicer to enforce bondholder rights and all other payments that may be required under the waterfall of payments set forth in the indenture) during the period for which such adjusted securitized utility tariff charges are to be in effect.

With respect to any series of securitized utility tariff bonds, the servicer will make true-up adjustment filings with the Commission annually, and if the servicer forecasts undercollections, semi-annually.

61. True-up filings will be based upon the cumulative differences, regardless of the reason, between the periodic payment requirement (including scheduled principal and interest payments on the securitized utility tariff bonds) and the amount of securitized utility tariff charge remittances to the indenture trustee. True-up procedures are necessary to ensure full recovery of amounts sufficient to meet the periodic payment requirement over the expected life of the securitized utility tariff bonds. To assure adequate securitized utility tariff charge revenues to fund the periodic payment requirement and to avoid large overcollections and undercollections over time, the servicer will reconcile the securitized utility tariff charges using Liberty's most recent forecast of electricity deliveries (i.e., forecasted billing units) and estimates of transaction-related expenses. The calculation of

the securitized utility tariff charges will also reflect both a projection of uncollectible securitized utility tariff charges and a projection of payment lags between the billing and collection of securitized utility tariff charges based upon Liberty's most recent experience regarding collection of securitized utility tariff charges.

62. The servicer will make true-up adjustments in the following manner, known as the standard true-up procedure:

(a) allocate the upcoming period's periodic billing requirement based on the PBRAFs approved in this Financing Order;

(b) calculate undercollections or overcollections, including without limitation any caused by defaults, from the preceding period in each class by subtracting the previous period's securitized utility tariff charge revenues collected from each class from the periodic billing requirement determined for that class for the same period;

(c) sum the amounts allocated to each customer class in steps (a) and (b) to determine an adjusted periodic billing requirement for each securitized utility tariff charge customer class; and

(d) divide the amount assigned to each customer class in step (c) above by the appropriate forecasted billing units to determine the securitized utility tariff charge rate by class for the upcoming period.

12. Interim True-Up

63. In addition to these annual and semi-annual true-up adjustments, true-up adjustments may be made by the servicer more frequently at any time during the term of the securitized utility tariff bonds to correct any undercollection, as provided for in this Financing Order, in order to assure timely payment of securitized utility tariff bonds based on rating agency and bondholder considerations. Further, the servicer must make a mandatory interim true-up adjustment quarterly beginning 12 months prior to the final scheduled payment date of the last tranche of the securitized utility tariff bonds:

(a) if the servicer forecasts that securitized utility tariff charge collections will be insufficient to make all scheduled payments of principal, interest, and other amounts in respect of the securitized utility tariff bonds on a timely basis during the current or next succeeding payment period; or

(b) to replenish any draws upon the capital subaccount.

64. In the event an interim true-up is necessary, the interim true-up adjustment must use the methodology utilized in the most recent annual true-up and be filed not less than 30 days before the first billing cycle of the month in which the revised securitized utility tariff charges will be in effect. In no event will mandatory interim true-up adjustments occur more frequently than every six months if semi-annual securitized utility tariff bond payments are required, or every three months if quarterly securitized utility tariff bond payments are required; provided, however, that mandatory interim true-up adjustments beginning 12 months prior to the final scheduled payment date of the last tranche of the securitized utility tariff bonds must occur quarterly.

13. Additional True-Up Provisions

65. The true-up adjustment filing will set forth the servicer's calculation of the true-up adjustment to the securitized utility tariff charges. As provided in Securitized Energy Transition Charge Rider SETC, the Commission will have 30 days after the date of a true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment. As provided in the Securitized Energy Transition Charge Rider SETC, any true-up adjustment filed with the Commission should be effective on its proposed effective date, which must be not less than 30 days after filing. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment or otherwise, shall be corrected and refiled.

66. The true-up procedures contained in the Securitized Energy Transition Charge Rider SETC are reasonable and will reduce risks related to the securitized utility tariff bonds, resulting in lower securitized utility tariff bond charges and greater benefits to customers and should be approved.

14. Non-Standard True-Up Provisions

67. The servicer may also submit for approval a non-standard true-up adjustment to propose revisions to the methodology in the Securitized Energy Transition Charge Rider SETC. The Commission will have 60 days to review any non-standard true-up adjustment. Absent a resolution that modifies or rejects the non-standard true-up adjustment, the servicer may implement the adjustments 60 days after the date of its submission.

15. Designated Representative[42]

68. To ensure, as required by Section 393.1700-2.(3)(h), that the structuring and pricing of the securitized utility tariff bonds result in the lowest securitized utility tariff bond charges consistent with market conditions at the time the securitized utility bonds are priced and the terms of this Financing Order, the Commission finds that it is advisable for the Commission or its designated representative, who may be advised by a financial advisor, to provide input to Liberty and collaborate with Liberty in all facets of the process undertaken by Liberty to place the securitized utility tariff bonds to market so the Commission's representative or representatives can provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds on an expedited basis. Neither the designated representative or representatives from the Commission Staff nor one or more financial advisors advising Commission Staff shall have authority to direct how Liberty places the securitized utility tariff bonds to market although they shall be permitted to attend all meetings convened by Liberty to address placement of the securitized utility tariff bonds to market.

69. For each series, the Commission or its designated representative may require a certificate from each bookrunning underwriter confirming that the structuring, marketing, and pricing of the securitized utility tariff bonds resulted in the lowest securitized utility tariff charges consistent with market conditions and the terms of this Financing Order.

70. Liberty stated that it expected the following transaction documents to be executed in connection with each series of securitized utility tariff bonds issued under this Financing Order: administration agreement, indenture, limited liability company agreement, securitized utility tariff property servicing agreement, and securitized utility tariff property purchase and sale agreement.

16. Lowest Securitized Utility Tariff Charges

71. Liberty has proposed a transaction structure that is expected to include (but is not limited to):

[42] Any discussion in this Form of Financing Order with respect to the responsibilities of a designated representative or financial advisor to the Commission is only applicable should the Commission chose to designate a “designated representative" and/or hire a financial advisor pursuant to § 393.1700-2.(3)(h).

(a) the use of BondCo as issuer of the securitized utility tariff bonds, limiting the risks to securitized utility tariff bond holders of any adverse impact resulting from a bankruptcy proceeding of its parent or any affiliate;

(b) the right to impose and collect securitized utility tariff charges that are non-bypassable and which must be trued-up at least annually, but may be trued-up more frequently under certain circumstances, to assure the timely payment of the debt service and other ongoing financing costs;

(c) additional collateral in the form of a collection account that includes a capital subaccount funded in cash in an amount equal to not less than 0.50% of the original principal amount of the securitized utility tariff bonds and other subaccounts resulting in greater certainty of payment of interest and principal to investors and that are consistent with the IRS requirements that must be met to receive the desired federal income tax treatment for the securitized utility tariff bond transaction;

(d) protection of securitized utility tariff bondholders against potential defaults by a servicer that is responsible for billing and collecting the securitized utility tariff charges from existing or future retail customers;

(e) benefits for federal income tax purposes including (i) the transfer of the rights under this Financing Order to BondCo not resulting in gross income to Liberty and the future revenues under the securitized utility tariff charges being included in Liberty's gross income under its usual method of accounting, (ii) the issuance of the securitized utility tariff bonds and the transfer of the proceeds of the securitized utility tariff bonds to Liberty not resulting in gross income to Liberty, and (iii) the securitized utility tariff bonds constituting obligations of Liberty; and

(f) the securitized utility tariff bonds will be marketed using proven underwriting and marketing processes, through which market conditions and investors' preferences, with regard to the timing of the issuance, the terms and conditions, related maturities, and other aspects of the structuring and pricing, will be determined, evaluated and factored into the structuring and pricing of the securitized utility tariff bonds.

72. Liberty's proposed transaction structure is necessary to enable the securitized utility tariff bonds to obtain the highest possible bond credit rating, ensures that the structuring and pricing of the securitized utility tariff bonds will result in the lowest charges standard.

73. To ensure that customers receive the quantifiable economic benefits due from the proposed securitization and so that the proposed securitized utility tariff bond transaction will be in accordance with the quantifiable benefits test set forth in Section 393.1700-2.(3)(c), it is necessary that (i) the issuance advice letter demonstrates that the proposed issuance of securitized utility tariff bonds and the imposition of a securitized utility tariff charge are just and reasonable; in the public interest; and expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds, (ii) the scheduled final payment of the last tranche of securitized utility tariff bonds will not exceed 13 years (although the legal final maturity of the securitized utility tariff bonds may extend to 15 years) unless deemed necessary to obtain the best possible credit rating, (iii) the amortization of the securitized utility tariff bonds is structured to be in accordance with finding of fact numbers 42 and 43, and (iv) Liberty otherwise satisfies the requirements of this Financing Order.

74. To allow the Commission to fulfill its obligations under the Securitization Law related to the securitization approved in this Financing Order, it is necessary for Liberty, for each series of securitized utility tariff bonds issued, to certify to the Commission that the structure and pricing of that series results in the lowest charges standard, if additional credit enhancements or arrangements to enhance marketability or reduce interest rate risks were used, to certify that they are expected to provide benefits in excess of their cost as required by finding of fact numbers 19 through 21 of this Financing Order.

IV. Conclusions of Law

The Commission makes the following conclusions of law.

1. Liberty is an electrical corporation, as defined in Section 393.1700-1.(6).
2. Liberty is entitled to file a petition for a financing order under Section 393.1700.
3. The Commission has jurisdiction and authority over Liberty's petition under Section 393.1700-2.
4. The Commission has authority to approve this Financing Order under Section 393.1700-2.

5. Notice of Liberty's petition was provided in compliance with Section 393.1700-2.(3)(a)b.
6. The Securitization Law allows an electrical corporation to finance its securitized utility tariff costs, including its energy transition costs.
7. BondCo will be an assignee as defined in Section 393.1700-1.(2) when an interest in the securitized utility tariff property created under this Financing Order is transferred, other than as security, to BondCo.
8. The holders of the securitized utility tariff bonds and the indenture trustee will each be a financing party as defined in Section 393.1700-1.(10).
9. BondCo may issue securitized utility tariff bonds in accordance with this Financing Order.
10. The securitization approved in this Financing Order satisfies the Statutory Requirements[43] mandating that (1) the amount of securitized utility tariff costs to be financed using securitized utility tariff bonds be just and reasonable and in the public interest; (2) the proposed issuance of securitized utility tariff bonds and the imposition of securitized utility tariff charges are just and reasonable; in the public interest; and expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds; and (3) the proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of the financing order.
11. Consistent with fundamental financial principles, the quantifiable benefits test set forth in Section 393.1700-2.(3)(c) can only be determined using an economic analysis to account for the time value of money. An analysis that compares in the net present value of the costs to customers that are estimated to result from the issuance of securitized utility tariff bonds and the costs that would result from the application of the traditional method of financing and reflecting the energy transition costs in retail customer rates, demonstrating that the issuance of securitized utility tariff bonds and the imposition of securitized utility tariff charges, is an appropriate economic analysis to demonstrate whether securitization provides quantifiable net present value benefits to customers.

[43] §§ 393.1700-2.(3)(c)b. and c.

12. Section 393.1700-2.(3)(c)l. specifies that securitized utility tariff costs include the electrical corporation's cost of capital authorized from time to time by the Commission in the electrical corporation's rate proceedings, on any moneys advanced by the electrical corporation to fund capital accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to the securitized utility tariff bonds. As a result, for purposes of the Statutory Requirements, it is necessary to compute the revenue requirements associated with non-securitized rates reflecting conventional utility financing using a WACC last approved in a Liberty general rate proceeding. That amount, updated from time to time in future rate cases, may be included in the securitized utility tariff charge as an ongoing financing cost.
13. BondCo's issuance of the securitized utility tariff bonds approved in this Financing Order in compliance with the criteria established by this Financing Order satisfies the lowest charges standard of Section 393.1700-2.(3)(c)c. prescribing that the structuring and pricing of the securitized utility tariff bonds will result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of this Financing Order.
14. The amount approved in this Financing Order for securitization does not exceed the present value of the revenue requirement over the life of the securitized utility tariff bonds approved in this Financing Order that are associated with the costs sought to be securitized, as required by Section 393.1700-2.(3)(c)b.
15. This Financing Order adequately details the amount to be recovered and the period over which Liberty will be permitted to recover non-bypassable securitized utility tariff charges in accordance with the requirements of Section 393.1700-2.(3)(c)a.
16. The method approved in this Financing Order for collecting and allocating the securitized utility tariff charges satisfies the requirements of Section 393.1700-2.(3)(c)h.
17. As provided in Section 393.1700-2.(3)(f), this Financing Order, together with the securitized utility tariff charges authorized by this Financing Order, is irrevocable and not subject to amendment, modification, termination, reduction, impairment, postponement, or adjustment by further act of the Commission, except for the true-up procedures approved in this Financing Order, as required by Section 393.1700-2.(3)(e).

18. As provided in Section 393.1700-2.(3)(d), the rights and interests of Liberty or its successor or assignee under this Financing Order, including the right to impose, bill, charge, collect, and receive the securitized utility tariff charges authorized in this Financing Order and to obtain periodic adjustments to such charges as provided in this Financing Order, are assignable and will become securitized utility tariff property when they are first transferred to BondCo.

19. The rights, interests, and property conveyed to BondCo in the securitized utility tariff property purchase and sale agreement and the related bill of sale, including the irrevocable right to impose, bill, charge, collect, and receive securitized utility tariff charges and the revenues and collections from securitized utility tariff charges, are securitized utility tariff property within the meaning of Section 393.1700-1.(18).

20. Securitized utility tariff property will constitute an existing, present intangible property right or interest therein for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of the securitized utility tariff charges depends on further acts by Liberty or others that have not yet occurred, as provided by Section 393.1700-5.(1)(a).

21. All revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in this Financing Order, regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money or proceeds, resulting from the securitized utility tariff charges will constitute proceeds only of the securitized utility tariff property arising from this Financing Order, as provided by Section 393.1700-1.(18).

22. Upon the transfer by Liberty of securitized utility tariff property to a BondCo, the BondCo will have all of the rights, title, and interest of Liberty with respect to such securitized utility tariff property, including the right to impose, bill, charge, collect, and receive the securitized utility tariff charges authorized by the Financing Order.

23. The securitized utility tariff bonds issued under this Financing Order will be securitized utility tariff bonds within the meaning of Section 393.1700-1.(15), and the securitized utility tariff bonds and holders thereof are entitled to all of the protections provided under Section 393.1700-11.

24. Amounts that are required to be paid to the servicer as securitized utility tariff charges under this Financing Order or the tariffs approved hereby are securitized utility tariff charges as defined in Section 393.1700-1.(16), and the amounts collected from retail customers with respect to such securitized utility tariff charges are securitized utility tariff charges as defined in Section 393.1700-1.(16), whether or not such charges are set out as a separate line item on the retail customer's bill.
25. [Reserved]
26. As provided in Section 393.1700-5.(1)(e), the interests of an assignee, the holders of securitized utility tariff bonds, and the indenture trustee in securitized utility tariff property and in the revenues and collections arising from that property are not subject to setoff, counterclaim, surcharge, or defense by Liberty or any other person or in connection with the reorganization, bankruptcy, or other insolvency of Liberty or any other entity.
27. The methodology approved in this Financing Order to true-up the securitized utility tariff charges satisfies the requirements of Section 393.1700-2.(3)(c)e.
28. If and when Liberty transfers to a BondCo the right to impose, bill, charge, collect, and receive the securitized utility tariff charges and to issue the securitized utility tariff bonds, the servicer will be able to recover the securitized utility tariff charges associated with such securitized utility tariff property only for the benefit of the BondCo and the holders of the securitized utility tariff bonds in accordance with the servicing agreement.
29. If and when Liberty transfers its rights under this Financing Order to a BondCo under an agreement that expressly states that the transfer is a sale or other absolute transfer in accordance with the true-sale provisions of Sections 393.1700-5.(3)(a) and (b), then, in accordance with that statutory provision, that transfer will be a true sale of an interest in securitized utility tariff property and not a secured transaction or other financing arrangement and title, legal and equitable, to the securitized utility tariff property will pass to the BondCo. As provided by Section 393.1700-5.(3)(b), this true sale must apply regardless of whether the purchaser has any recourse against the seller, or any other term of the parties' agreement, including the seller's retention of an equity interest in the securitized utility tariff property, Liberty's role as the collector of securitized utility tariff charges relating to the securitized utility tariff property, or the treatment of the transfer as a financing for tax, financial reporting, or other purposes.

30. As provided in Section 393.1700-5.(2)(b), a valid and binding security interest in the securitized utility tariff property in favor of the holders of the securitized utility tariff bonds or a trustee on their behalf will be created at the later of the time this Financing Order is issued, a security agreement is executed and delivered by the debtor granting such security interest, the debtor has rights in such securitized utility tariff property or the power to transfer rights in such securitized utility tariff property, or value is received for the securitized utility tariff property. The security interest will attach automatically from the time that value is received for the securitized utility tariff bonds and, on perfection through the filing of notice with the secretary of state in accordance with the rules prescribed by the secretary of state under Section 393.1700-5.(2)(c), will be a continuously perfected security interest in the securitized utility tariff property and all proceeds of the securitized utility tariff property, whether accrued or not, will have priority in the order of filing and will take precedence over any subsequent judicial or other lien creditor.

31. As provided in Section 393.1700-5.(3)(c), the transfer of an interest in securitized utility tariff property to an assignee will be perfected against all third parties, including subsequent judicial or other lien creditors, when this Financing Order becomes effective, transfer documents have been delivered to that assignee, and a notice of that transfer has been filed in accordance with the rules prescribed by the secretary of state under Section 393.1700-7. The transfer to a BondCo of Liberty's rights under this Financing Order will be a transfer of an interest in securitized utility tariff property for purposes of Section 393.1700-5.(3)(c).

32. As provided in Section 393.1700-5.(3)(d), the priority of a security interest perfected in accordance with Section 393.1700-5.(3) will not be impaired by any later change in the securitized utility tariff charges under Section 393.1700-2.(3)(c)e. or by the commingling of securitized utility tariff charges with other amounts, and any other security interest that may apply to those amounts will be terminated when they are transferred to a segregated account for an assignee or a financing party.

33. As provided in Section 393.1700-5.(3)(d), if securitized utility tariff property is transferred to an assignee, any proceeds of the securitized utility tariff property will be treated as held in trust for the assignee.

34. As provided in Section 393.1700-5.(2)(f), if a default or termination occurs under the securitized utility tariff bonds, the financing parties or their representatives may exercise the rights and remedies available to a secured party under part 6 of article 9 of the Missouri Uniform Commercial Code, and, upon application by or on behalf of the financing parties, the Commission may order that amounts arising from the related securitized utility tariff charges be transferred to a separate account for the financing parties' benefit, to which their lien and security interest may apply.

35. As provided in Section 393.1700-5.(2)(f), if a default occurs under the securitized utility tariff bonds, on application by or on behalf of the financing parties, a district court of Jasper County, Missouri, must order the sequestration and payment to those parties of revenues arising from the securitized utility tariff charges.

36. As provided by Section 393.1700-9., the securitized utility tariff bonds authorized by this Financing Order are not a debt or a general obligation of the State of Missouri or any of its political subdivisions, agencies, or instrumentalities, nor are they special obligations or indebtedness of the State of Missouri or any agency or political subdivision, and are not a charge on its full faith and credit or taxing power.

37. Under Section 393.1700-11., the State of Missouri and its agencies, including the Commission, have pledged for the benefit and protection of bondholders, the owners of the securitized utility tariff property, other financing parties and Liberty, that it will not take or permit any action that would impair the value of securitized utility tariff property, or, except pursuant to the true-up adjustment mechanism in this Financing Order, reduce, alter or impair the securitized utility tariff charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties, until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the securitized utility tariff bonds have been paid and performed in full. A BondCo, in issuing securitized utility tariff bonds, is authorized under Section 393.1700-9. and this Financing Order to include this pledge in any documentation relating to the securitized utility tariff bonds.

38. This Financing Order will remain in full force and effect and unabated notwithstanding the bankruptcy of Liberty, its successors, or assignees.

39. Liberty retains sole discretion regarding whether or when to assign, sell, or otherwise transfer the rights and interests created by this Financing Order or any interest therein, or to cause the issuance of any securitized utility tariff bonds authorized by this Financing Order, subject to the right of the Commission, to issue a disapproval letter directing that the securitized utility tariff bonds as proposed not be issued as a result of the issuance advice letter process.

40. This Financing Order is subject to judicial review only in accordance with Sections 386.500 and 386.510, pursuant to Section 393.1700-2.(3)(a)c. The finality of this Financing Order is not impaired in any manner by the participation of the Commission through its designated representative in any decisions related to issuance of the securitized utility tariff bonds or by the Commission's review of or issuance of an order related to the issuance advice letter required to be filed with the Commission by this Financing Order.

41. This Financing Order meets the requirements for a financing order under Section 393.1700.

42. The true-up mechanism, and all other obligations of the State of Missouri and the Commission set forth in this Financing Order, are direct, explicit, irrevocable, and unconditional upon issuance of the securitized utility tariff bonds and are legally enforceable against the State of Missouri and the Commission in accordance with Missouri law.

V. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

A. Approval

1. **Approval of Petition**. The decision of Liberty to retire Asbury was reasonable and prudent. The petition of Liberty for the issuance of a financing order under Sections 393.1700 is approved, as provided in this Financing Order. Commission

2. **Authority to Securitize**. Liberty is authorized in accordance with this Financing Order to finance and to cause the issuance of securitized utility tariff bonds with a principal amount equal to the sum of (a) the securitizable balance at the time the securitized utility tariff bonds are issued plus (b) upfront financing costs, including, but not limited to (i) underwriters discounts and commissions, (ii) legal costs, (iii) the cost of original issue discount, credit enhancements and other arrangements to enhance marketability as

discussed in ordering paragraph 22, (iv) rating agency fees, (v) United States Securities and Exchange Commission registration fees, (vi) the cost of the Commission's financial advisor and its legal counsel, if any, and any additional costs incurred by Liberty to comply with the requests and recommendations of the Commission's financial advisor and/or legal counsel, and (vii) any costs incurred by Liberty if this Financing Order is appealed. The securitizable balance as of any given date is equal to the balance of energy transition costs plus carrying costs accruing on that balance at the WACC authorized in Case No. ER-2019-0374 through the date the securitized utility tariff bonds are issued. If the actual upfront financing costs are less than the upfront financing costs included in the aggregate principal amount of the securitized utility tariff bonds, the periodic billing requirement for the first annual true-up adjustment must be reduced by the amount of such unused funds (together with interest, if any, earned from the investment of such funds). If the final upfront financing costs are more than the upfront financing costs included in the aggregate principal amount of the securitized utility tariff bonds, Liberty may request recovery of the remaining upfront financing costs through a surcharge to Liberty's rates for electrical service.

3. **Recovery of Securitized Utility Tariff Charges**. Liberty must impose on, and the servicer must collect from, other entities serving all existing and future retail customers located within Liberty's service area as it exists on the date of this Financing Order and such other entities which, under the terms of this order or the tariffs approved hereby, are required to bill, pay, or collect securitized utility tariff charges, as provided in this Financing Order, securitized utility tariff charges in an amount sufficient to provide for the timely recovery of its aggregate financing costs detailed in this Financing Order (including payment of principal and interest on the securitized utility tariff bonds).

4. **Third Party Billing**. If the State of Missouri or this Commission decides to allow billing, collection, and remittance of the securitized utility tariff charges by a third-party supplier within Liberty's service territory, such authentication will be consistent with the rating agencies' requirements necessary for the securitized utility tariff bonds to receive and maintain the targeted triple-A rating or as described in finding of fact number 51.

5. **Provision of Information**. Liberty must take all necessary steps to ensure that the Commission or its designated representative is provided sufficient and timely information

as provided in this Financing Order in order to fulfill its obligations as described in finding of fact numbers 68 and 70.

6. **Issuance Advice Letter**. For each series of securitized utility tariff bonds issued, Liberty shall submit a draft issuance advice letter to the Commission Staff for review not later than two weeks before the expected date of commencement of marketing the securitized utility tariff bonds. With the agreement of the Commission's designated representative from Commission Staff, the actual date of the commencement of marketing may be a date other than the expected date. Within one week after receipt of the draft issuance advice letter, Commission Staff shall provide Liberty comments and recommendations regarding the adequacy of the information provided. Not later than the end of the first business day after the pricing of the securitized utility tariff bonds and before issuance of the securitized utility tariff bonds, Liberty, in consultation with the Commission acting through its designated representative, shall provide the Commission an issuance advice letter in substantially the form of the issuance advice letter attached as Appendix A to this Financing Order. As part of the issuance advice letter, Liberty, through an officer of Liberty, shall provide a certification worded precisely as the statement in the form of issuance advice letter approved by the Commission. The issuance advice letter must be completed, must evidence the actual dollar amount of the initial securitized utility tariff charges and other information specific to the securitized utility tariff bonds to be issued, and must certify to the Commission that the structure and pricing of that series results in the lowest securitized utility tariff charges consistent with market conditions at the time that the securitized utility tariff bonds are priced and with the terms set out in this Financing Order. In addition, if more than de minimis original issue discount, credit enhancements, or arrangements to enhance marketability are used, the issuance advice letter must include certification that such original issue discount, credit enhancements, or other arrangements are reasonably expected to provide benefits as required by this Financing Order. All amounts which require computation must be computed using the mathematical formulas contained in the form of the issuance advice letter in Appendix A to this Financing Order and the Securitized Energy Transition Charge Rider SETC. Electronic spreadsheets with the formulas supporting the schedules contained in the issuance advice letter must be included with such letter. The Commission's review of the issuance advice letter must be

limited to the arithmetic accuracy of the calculations and to compliance with the Securitization Law, this Financing Order, and the specific requirements that are contained in the issuance advice letter. The initial securitized utility tariff charges and the final terms of the securitized utility tariff bonds set forth in the issuance advice letter must become effective on the date of issuance of the securitized utility tariff bonds (which must not occur before the fifth business day after pricing) unless before noon on the fourth business day after pricing of the securitized utility tariff bonds, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval.

7. **Approval of Tariff**. The form of Securitized Energy Transition Charge Rider SETC attached as Appendix B to this order is approved. Before the issuance of any securitized utility tariff bonds under this Financing Order, Liberty must file compliance tariff sheets that conform to the form of the Securitized Energy Transition Charge Rider SETC tariff provisions attached to this Financing Order, but with rate elements left blank. With its submission of the issuance advice letter, Liberty shall also submit a compliance tariff sheet, bearing an effective date no earlier than five business days after its submission, containing the rate elements of the securitized utility tariff charge. That compliance tariff sheet shall become effective on the date the securitized utility tariff bonds are issued with no further action of the Commission unless the Commission issues a disapproval letter as described in Ordering Paragraph 6.

B. Securitized Utility Tariff Charges

8. **Imposition and Collection**. Liberty is authorized to impose on, and the servicer is authorized to collect from all existing and future retail customers located within Liberty's service area as they existed on the date this Financing Order is issued and other entities which, under the terms of this Financing Order or the tariffs approved hereby, are required to bill, pay, or collect securitized utility tariff charges, securitized utility tariff charges in an amount sufficient to provide for the timely recovery of the aggregate periodic payment requirements (including payment of principal and interest on the securitized utility tariff bonds), as approved in this Financing Order. If there is a partial payment of an amount billed, the amount paid must first be apportioned ratably between the securitized utility

tariff charges and other fees and, other than late fees, and second, any remaining portion of the payment must be allocated to late fees.

9. **BondCo's Rights and Remedies**. Upon the transfer by Liberty of the securitized utility tariff property to a BondCo, the BondCo must have all of the rights and interest of Liberty with respect to such securitized utility tariff property, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the right to authorize disconnection of electric service and to assess and collect any amounts payable by any retail customer in respect of the securitized utility tariff property. If securitized utility tariff bonds are issued in more than one series, then the securitized utility tariff property transferred as a result of each issuance must be only those rights associated with that portion of the total amount authorized to be securitized under this Financing Order, which is securitized by such issuance. The rights to impose, bill, charge, collect, and receive securitized utility tariff charges along with the other rights arising under this Financing Order as they relate to any portion of the total amount authorized to be securitized utility tariff that remains unsecuritized must remain with Liberty and shall only become securitized utility tariff property upon the transfer of the securitized utility tariff property to a BondCo and its pledge to secure an issuance of securitized utility tariff bonds.

10. **Collector of Securitized Utility Tariff Charges**. Liberty or any subsequent servicer of the securitized utility tariff bonds must bill a customer or other entity, which, under the terms of this Financing Order or the tariffs approved hereby, is required to bill or collect securitized utility tariff charges for the securitized utility tariff charges attributable to that customer.

11. **Collection Period**. The securitized utility tariff charges related to a series of securitized utility tariff bonds must be designed to be collected over the scheduled life of the securitized utility tariff bonds of 13 years. However, to the extent that any amounts are not recovered at the end of this period, Liberty may continue to recover them over a period ending not more than 15 years from the date of issuance of that series of securitized utility tariff bonds. The proposed recovery period of the securitized utility tariff charges may be longer if deemed necessary to obtain the best possible credit rating.

12. **Allocation**. Liberty must allocate the securitized utility tariff charges among rate classes in the manner described in this Financing Order.

13. **Nonbypassability**. Liberty and any other entity providing electrical services to any retail customer within Liberty's certificated service area as it existed on the date this Financing Order is issued are entitled to collect and must remit, in accordance with this Financing Order. The Commission will ensure that such obligations are undertaken and performed by Liberty, any other entity providing electrical services to Liberty's retail customers.

14. **True-Ups**. True ups of the securitized utility tariff charges must be undertaken and conducted as described in this Financing Order. If securitized utility tariff bonds are issued in more than one series, then each series will be subject to separate true-up adjustments under the Securitization Law and this Financing Order, provided, however, that more than one series may be trued-up in a single proceeding.

15. **Ownership Notification**. Any entity that bills securitized utility tariff charges to retail customers must, at least annually, provide written notification to each retail customer for which the entity bills securitized utility tariff charges that the securitized utility tariff charges are the property of BondCo and not of the entity issuing such bill.

C. Securitized Utility Tariff Bonds

16. **Issuance**. Liberty is authorized through one or more BondCos to issue one or more series of securitized utility tariff bonds as specified in this Financing Order. The securitized utility tariff bonds must be denominated in United States Dollars.

17. **Upfront Financing Costs**. Liberty may finance upfront financing costs in accordance with the terms of this Financing Order, which provides that the total amount for upfront financing cost, including, but not limited to (i) underwriters' discounts and commissions, (ii) legal costs, (iii) the cost of original issue discount, credit enhancements and other arrangements to enhance marketability as discussed in ordering paragraphs 6 and 22, (iv) rating agency fees, (v) United States Securities and Exchange Commission registration fees, (vi) the cost of the Commission's financial advisor and its legal counsel, if any, and any additional costs incurred by Liberty to comply with the requests and recommendations of the Commission's financial advisor and/or legal counsel, and (vii) any costs incurred by Liberty if this Financing Order is appealed.

18. **Ongoing Financing Costs**. Liberty may recover its actual ongoing financing costs through its securitized utility tariff charges set forth in finding of fact number 23 and Appendix C to this Financing Order. Ongoing financing costs also include an annual return at the

authorized pre-tax return on equity determined in Liberty's most recent base-rate case on the capital contribution as discussed in finding of fact number 46. The amount of ongoing financing costs is subject to updating in the issuance advice letter to reflect a change in the size of the securitized utility tariff bond issuance and any decision to issue the bonds in more than one series and other information available at the time of submission of the issuance advice letter. As provided in ordering paragraph 29, a servicer, other than Liberty, may collect a servicing fee higher than that set forth in Appendix C to this Financing Order, if such higher fee is approved by the Commission and the indenture trustee.

19. **Collateral**. All securitized utility tariff property and other collateral must be held and administered by the indenture trustee under the indenture as described in Liberty's petition. BondCo must establish a collection account with the indenture trustee as described in finding of fact numbers 44 through 49. Upon payment of the principal amount of all securitized utility tariff bonds authorized in this Financing Order and the discharge of all obligations in respect thereof, all amounts in the collection account, including investment earnings, other than amounts in the capital subaccount, must be released by the indenture trustee to BondCo for distribution in accordance with ordering paragraph 20.

20. **Distribution Following Repayment**. Following repayment of the securitized utility tariff bonds authorized in this Financing Order and release of the funds held by the trustee, the servicer, on behalf of BondCo, must distribute to retail customers, the final balance of the general, excess funds, and all other subaccounts (except the capital subaccount), whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon, remaining after all other financing costs have been paid. BondCo or its successor in interest to the securitized utility tariff property must, to the extent the capital subaccount is not depleted below its original amount, also distribute to retail customers any subsequently collected securitized utility tariff charges.

21. **Funding of Capital Subaccount**. The capital contribution by Liberty to be deposited into the capital subaccount must, with respect to each BondCo and series of securitized utility tariff bonds, be funded by Liberty and not from the proceeds of the sale of securitized utility tariff bonds at an amount required by tax and rating agency requirements at the time of issuance. Liberty is authorized to receive a return on the capital contribution at the WACC authorized in Case No. ER-2019-0374. Upon payment of the principal amount of all

securitized utility tariff bonds and the discharge of all obligations in respect thereof, all amounts in the capital subaccount, including investment earnings, and any amounts required to replenish the capital subaccount to the level of Liberty's capital contribution, and any unpaid authorized return on capital contributions for a series of securitized utility tariff bonds must be released to BondCo for payment to Liberty. Investment earnings in this subaccount and authorized return on capital contributions, if any, may be released earlier in accordance with the indenture.

22. **Original Issue Discount, Credit Enhancement**. Liberty may provide original issue discount or provide for various forms of credit enhancement, including letters of credit, an overcollateralization subaccount or other accounts, surety bonds, and other mechanisms designed to promote the credit quality or marketability of the securitized utility tariff bonds to the extent not prohibited by this Financing Order. Except for a de minimis amount of original issue discount, any decision to use such arrangements to enhance credit or promote marketability must be made in conjunction with the Commission acting through its designated representative. Liberty may not enter into an interest rate swap, currency hedge, or interest rate hedging arrangement. Liberty may include the costs of original issue discount, credit enhancements or other arrangements to promote credit quality or marketability as financing costs only if Liberty certifies that such arrangements are reasonably expected to provide benefits greater than their cost and such certifications are agreed with by the Commission's designated representative. Liberty must not be required to enter any arrangements to promote credit quality or marketability unless all related costs and liabilities can be included in financing costs. Liberty and the Commission's designated representative must evaluate the relative benefits of the arrangements in the same way that benefits are quantified under the quantifiable benefits test. This ordering paragraph does not apply to the collection account or its subaccounts approved in this Financing Order.

23. **Recovery Period**. The Commission authorizes Liberty to recover the securitized utility tariff costs and financing costs over period not to exceed 15 years from the date the securitized utility tariff bonds are issued, although this does not prohibit recovery of securitized utility tariff charges for service rendered during the 15-year period but not actually collected until after the 15-year period.

24. **Amortization Schedule**. The securitized utility tariff bonds must be structured to provide a securitized utility tariff charge that is based on substantially levelized annual revenue requirements over the expected life of the securitized utility tariff bonds and utilize consistent allocation factors across rate classes, subject to modification in accordance with this Financing Order. The structure employing substantially levelized annual revenue requirements will allow the resulting securitized utility tariff charges to remain level or decline over time, if billing determinants remain level or grow. If the securitized utility tariff bonds are issued in more than one series, each series must meet the requirement of substantially levelized annual revenue requirements.

25. **Commission Participation in Bond Issuance**. The Commission, acting through its designated representative, which shall be a member of Commission Staff, may participate with Liberty in discussions regarding the structuring and pricing of the securitized utility tariff bonds. The Commission's designated representative has the right to provide input to Liberty and collaborate with Liberty in all facets of the process undertaken by Liberty to place the securitized utility tariff bonds to market so that the Commission's designated representative can provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds on an expedited basis. Neither the designated representative or representatives from the Commission staff nor one or more financial advisors advising Commission staff shall have authority to direct how Liberty places the securitized utility tariff bonds to market although they shall be permitted to attend all meetings convened by Liberty to address placement of the securitized utility tariff bonds to market.

26. **Use of BondCo**. Liberty must use BondCo, a special purpose securitized utility tariff funding entity as proposed in its petition, in conjunction with the issuance of a series of securitized utility tariff bonds authorized under this Financing Order. BondCo must be funded with an amount of capital that is sufficient for BondCo to carry out its intended functions and to avoid the possibility that Liberty would have to extend funds to BondCo in a manner that could jeopardize the bankruptcy remoteness of BondCo. Liberty may create more than one BondCo in which event, the rights, structure, and restrictions described in this Financing Order with respect to BondCo would be applicable to each

purchaser of securitized utility tariff property to the extent of the securitized utility tariff property sold to it and the securitized utility tariff bonds issued by it.

D. Servicing

27. **Servicing Agreement**. The Commission authorizes Liberty to enter into the servicing agreement with BondCo and to perform the servicing duties approved in this Financing Order. Without limiting the foregoing, in its capacity as initial servicer of the securitized utility tariff property, Liberty is authorized to calculate, bill and collect for the account of BondCo, the securitized utility tariff charges initially authorized in this Financing Order, as adjusted from time to time to meet the periodic payment requirements as provided in this Financing Order; and to make such filings and take such other actions as are required or permitted by this Financing Order in connection with the periodic true-ups described in this Financing Order. The servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that, as set forth in Appendix C, the annual servicing fee payable to Liberty while it is serving as servicer (or to any other servicer affiliated with Liberty) must not at any time exceed 0.05% of the original principal amount of the securitized utility tariff bonds. The annual servicing fee payable to any other servicer not affiliated with Liberty must not at any time exceed 0.60% of the original principal amount of the securitized utility tariff bonds unless such higher rate is approved by the Commission under ordering paragraph 30.

28. **Administration Agreement**. The Commission authorizes Liberty to enter into an administration agreement with each BondCo to provide the services covered by the administration agreements. The fee charged by Liberty as administrator under that agreement must not exceed $50,000 per annum per BondCo plus reimbursable third-party costs.

29. **Replacement of Liberty as Servicer**. Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the securitized utility tariff charges, the financing parties may replace Liberty as the servicer in accordance with the terms of the servicing agreement. If the servicing fee of the replacement servicer will exceed the applicable maximum servicing fee specified in ordering paragraph 27, the replacement servicer must not begin providing service until (i) the date the Commission approves the appointment of such replacement servicer or

(ii) if the Commission does not act to either approve or disapprove the appointment, the date which is 30 days after notice of appointment of the replacement servicer is provided to the Commission. No entity may replace Liberty as the servicer in any of its servicing functions with respect to the securitized utility tariff charges and the securitized utility tariff property authorized by this Financing Order, if the replacement would cause any of the then current credit ratings of the securitized utility tariff bonds to be suspended, withdrawn, or downgraded.

30. **Amendment of Agreements**. The parties to the servicing agreement, administration agreement, indenture, and securitized utility tariff property purchase and sale agreement may amend the terms of such agreements; provided, however, that no amendment to any such agreement must increase the ongoing financing costs without the approval of the Commission. Any amendment that does not increase the ongoing financing costs must be effective without prior Commission authorization. Any amendment to any such agreement that may have the effect of increasing ongoing financing costs must be provided by BondCo to the Commission along with a statement as to the possible effect of the amendment on the ongoing financing costs. The amendment must become effective on the later of (i) the date proposed by the parties to the amendment or (ii) 31 days after such submission to the Commission unless the Commission issues an order disapproving the amendment within a 30-day period.

31. **Collection Terms**. The servicer must remit collections of the securitized utility tariff charges to BondCo or the indenture trustee for BondCo's account in accordance with the terms of the servicing agreement.

32. **Contract to Provide Service**. To the extent that any interest in the securitized utility tariff property created by this Financing Order is assigned, sold or transferred to an assignee, Liberty must enter into a contract with that assignee that requires Liberty to continue to operate its transmission and distribution system to provide electrical services to Liberty's customers; provided, however, that this provision must not prohibit Liberty from selling, assigning, or otherwise divesting its transmission and distribution systems or any part thereof so long as the entities acquiring such system agree to continue operating the facilities to provide electric service to Liberty's customers.

33. **Federal Securities Law Requirements**. Each other entity responsible for collecting securitized utility tariff charges from retail customers must furnish to BondCo or Liberty or to any successor servicer information and documents necessary to enable BondCo or Liberty or any successor servicer to comply with their respective disclosure and reporting requirements, if any, with respect to the securitized utility tariff bonds under federal securities laws.

E. Structure of the Securitization

34. **Structure**. Liberty must structure the securitization as proposed in Liberty's petition. This structure must be in accordance with finding of fact numbers 42 through 43.

35. [Reserved[

F. Miscellaneous Provisions

36. [Reserved]

37. **Continuing Issuance Right**. In accordance with Section 393.1700-2.(3)(c)n., Liberty has the continuing irrevocable right to cause the issuance of securitized utility tariff bonds in one or more series in accordance with this Financing Order for a period commencing with the date of this Financing Order and extending 24 months following the later of (i) the date on which this Financing Order becomes final and no longer subject to any appeal; or (ii) the date on which any other regulatory approvals necessary to issue the securitized utility tariff bonds are obtained and no longer subject to any appeal. If, at any time during the effective period of this Financing Order, there is a severe disruption in the financial markets of the United States, the effective period must automatically be extended to a date which is not less than 90 days after the date such disruption ends.

38. **Binding on Successors**. This Financing Order, together with the securitized utility tariff charges authorized in it, must be binding on Liberty and any successor to Liberty that provides transmission and distribution service directly to retail customers in Liberty's certificated service area as it existed on the date of this Financing Order, any other entity that provides transmission or distribution services to retail customers within that service area, and any successor to such other entity. In this paragraph, a successor means any entity that succeeds by any means whatsoever to any interest or obligation of its predecessor, including by way of bankruptcy, reorganization or other insolvency

proceeding, merger, consolidation, conversion, assignment, pledge or other security, by operation of law or otherwise.

39. **Flexibility**. Subject to compliance with the requirements of this Financing Order, Liberty and BondCo must be afforded flexibility in establishing the terms and conditions of the securitized utility tariff bonds, including the final structure of BondCo, repayment schedules, term, payment dates, collateral, credit enhancement, required debt service, interest rates, use of original issue discount, and other financing costs and the ability of Liberty, at its option, to cause one or more series of securitized utility tariff bonds to be issued.

40. **Effectiveness of Order**. This Financing Order will become effective in ten days, given the need to provide for prompt resolution of any issues regarding this proceeding, as well as to allow Liberty flexibility in accessing the financial markets. Notwithstanding the foregoing, no securitized utility tariff property is created hereunder, and Liberty is not authorized to impose, collect, and receive securitized utility tariff charges until Liberty's rights and interests under this Financing Order have been transferred to BondCo in conjunction with the issuance of the securitized utility tariff bonds.

41. **Regulatory Approvals**. All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the securitized utility tariff charges associated with the costs that are the subject of the petition and for all related transactions contemplated in the petition are granted.

42. **Payment of Commission's Costs for Professional Services**. Liberty must pay the costs of the Commission of acquiring professional services for the purpose of evaluating Liberty's proposed transaction, including, but not limited to, the Commission's outside attorneys' fees in the amounts specified in this Financing Order no later than 30 days after the issuance of any securitized utility tariff bonds. Such costs shall be upfront financing costs and payable only from the proceeds of an issuance of securitized utility tariff bonds.

43. **Effect**. This Financing Order constitutes a legal financing order for Liberty under the Securitization Law. The Commission finds this Financing Order complies with the Securitization Law. A financing order gives rise to rights, interests, obligations, and duties as expressed in the Securitization Law. It is the Commission's express intent to give rise to those rights, interests, obligations, and duties by issuing this Financing Order. Liberty

and the servicer are directed to take all actions as are required to effectuate the transactions approved in this Financing Order, subject to compliance with the criteria established in this Financing Order.

44. **Further Commission Action**. The Commission guarantees that it will act under this Financing Order as expressly authorized by the Securitization Law to ensure that expected securitized utility tariff charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the securitized utility tariff bonds issued under this Financing Order and ongoing financing costs and other required amounts and charges payable in connection with the securitized utility tariff bonds.

45. **Designated Representative**. The Commission designates [●] to serve as its representative under this Financing Order until such time as the Commission designates a new representative. The Commission will notify Liberty if it designates a new representative.

46. **All Other Motions Denied**. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

Signed at _________, Missouri the _______ day of [●] 20[●].

MISSOURI PUBLIC SERVICE COMMISSION

____

____

____

FORM OF ISSUANCE ADVICE LETTER

_________ day, _________, 2022

Case No. _____________

MISSOURI PUBLIC SERVICE COMMISSION

SUBJECT: ISSUANCE ADVICE LETTER FOR SECURITIZED UTILITY TARIFF BONDS

Pursuant to the Financing Order adopted in *Petition of The Empire District Electric Company d/b/a Liberty for a Financing Order*, Case No. ________________ (the "Financing Order"), THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY ("Petitioner") hereby submits, no later than the end of the first business day after the pricing date of this series of 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) confirmation of compliance with issuance standards;
(c) the actual terms and structure of the Securitized Utility Tariff Bonds being issued;
(d) the initial Securitized Utility Tariff Charge for retail customers; and
(e) 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 and Financing Costs will provide quantifiable net present value benefits to retail customers, greater than would be achieved compared to the traditional method of financing and reflecting the Energy Transition Costs in retail customer rates (See Attachment 2, Schedule D);

2. The Securitized Utility Tariff Bonds will be issued in one or more series comprised of one or more tranches having a scheduled final payment of ___ years and legal final maturities not exceeding ___ years from the date of issuance of such series (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, additional credit enhancements, or arrangements to enhance marketability are reasonably expected to provide quantifiable net present value benefits greater than its cost; and

4. The structuring 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 Series: ________________________
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:	[____]%
Life of Series:	____ years
Weighted Average Life of Series:	____ years
Call provisions (including premium, if any):	____
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:	[●]%

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 period: from ______________ to ______________	
Forecasted retail kWh/kW sales for the applicable period:	$ ____________
Securitized Utility Tariff Bond debt service for the applicable period	$ ____________
Percent of billed amounts expected to be charged-off:	$ ____________
Forecasted % of Billing Paid in the Applicable Period:	$ ____________
Forecasted retail kWh/kW sales billed and collected for the applicable period.	$ ____________
Forecasted annual ongoing (Excluding Securitized Utility Tariff interest): transaction expenses Bond principal and interest):	$ ____________
Initial Securitized Utility Tariff Bond outstanding balance :	$ ____________
Target Securitized Utility Tariff Bond outstanding balance as of: __/__/__:	$ ____________
Total Periodic Billing Requirement for applicable period:	$ ____________

Allocation of the PBR among customer classes: See Attachment 3.

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

TABLE II	
Rate Class	Initial Securitized Utility Tariff Charge
Residential	**$ _____/kWh**
Commercial	**$ _____/kWh**
Small Heating	**$ _____/kWh**
General Power	**$ _____/kWh**
Transmission	**$ _____/kWh**
Total Electric Building	**$ _____/kWh**
Feed Mill	**$ _____/kWh**
Large Power	**$ _____/kWh**
Misc. Service	**$ _____/kWh**
Street Lighting	**$ _____/kWh**
Private Lighting	**$ _____/kWh**
Special Lighting	**$ _____/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	$ __________
Legal Fees for Counsel to the Commission, if any	$ __________
Underwriters' Fees	$ __________
Auditor Fees	$ __________
Structuring Advisor	$ __________
Miscellaneous	$ __________
Consultants' Fees	$ __________
Commission's Financial Advisor Fees and other fees and expenses	$ __________
SEC Registration Fees	$ __________
Rating Agency Fees	$ __________
Printing/Edgarizing	$ __________
Original Issue Discount	$ __________
TOTAL UPFRONT FINANCING COSTS FINANCED	$ __________

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

ATTACHMENT 2 **SCHEDULE A**
SECURITIZED UTILITY TARIFF BOND REVENUE REQUIREMENT INFORMATION

SERIES, ___ TRANCHE __________				
Payment Date	Principal Balance	Interest	Principal	Total Payment
	$______________			
___________	______________	$_____________	$_____________	$_____________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________

SERIES, ___ TRANCHE ______				
Payment Date	Principal Balance	Interest	Principal	Total Payment
___________	$_____________	$_____________	$_____________	$_____________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________
___________	______________	______________	______________	______________

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 Fees	$ ______
Administration Fee	$ ______
Trustee's/Trustee's Counsel Fees and Expenses	$ ______
Accountant's Fee	$ ______
Legal Fees/Expenses for Company's/Issuer's Counsel	$ ______
Rating Agency Fees	$ ______
Return on Capital Account for Credit Enhancement (calculated at proposed WACC from ER-2019-0374)	$ ______
Printing/Edgarizing Fees	$ ______
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 semi-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 Payments[1]	Ongoing Costs[2]	Total Nominal Securitized Utility Tariff Charge Requirement[3]	Present Value of Securitized Utility Tariff Charges[4]
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] The discount rate used is the weighted average effective annual interest rate of the Securitized Utility Tariff Bonds.

ATTACHMENT 2
SCHEDULE D
COMPLIANCE WITH SECTION 393.1700

Quantifiable Benefits Test:[5]

	Traditional Financing	Securitization Financing[6]	Savings/(Cost) of Securitization Financing
Nominal	$ _______ million	$ _______ million	$ _______ million
Present Value	$ _______ million	$ _______ million	$ _______ million

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

[6] From Attachment 2, Schedule C.

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS TO SETC CLASSES

(1) SETC Class	(2) PBRAF[7]	(3) Periodic Billing Requirement	(4) Billing Requirement per SETC Class	(5) Forecasted Billing Determinants	(6) SETC Charge
	%	$_________	$_________	_________	$_____/kWh
	%	$_________	$_________	_________	$_____/kWh
	%	$_________	$_________	_________	$____/Distribution Billing kW
	%	$_________	$_________	_________	$____/Distribution Billing kW
	%	$_________	$_________	_________	$____/kWh
Total	100.0000 %	$_________	$_________		

[7] Determined in accordance with the methodology set forth in the Financing Order and Securitized Energy Transition Charge Rider SETC.

ATTACHMENT 4
FORM OF PETITIONER'S CERTIFICATION

[Liberty Letterhead]

Date: _______________, 20[●]

Missouri Public Service Commission
200 Madison Street
P.O. Box 360
Jefferson City, MO 65102-0360

Re: *Petition of The Empire District Electric Company d/b/a Liberty for a Financing Order*, Case No. _______

The Empire District Electric Company d/b/a Liberty (the "Petitioner") submits this Certification Empire to Ordering Paragraph No. ___ of the Financing Order in *Petition of The Empire District Electric Company d/b/a Liberty for a Financing Order*, Case No. ______ (the "Financing Order"). All capitalized terms not defined in this letter have the meanings ascribed to them in the Financing Order.

In its issuance advice letter dated __________________, 20[●], the Petitioner has set forth the following particulars of the Securitized Utility Tariff Bonds:

Name of Securitized Utility Tariff Bonds: __________________
SPE: [**BondCo**]
Closing Date: ______________
Amount Issued: $ ______________
Expected Amortization Schedule : See Attachment 2, Schedule A to the Issuance Advice Letter
Distributions to Investors (quarterly or semi-annually):
Weighted Average Coupon Rate: ________%
Weighted Average Yield[8]: ________%

[8] The internal rate of return, calculated including all up-front and ongoing costs.

The following actions were taken in connection with the design, marketing, structuring and pricing of the bonds:

- [Included credit enhancement in the form of the true-up mechanism and an equity contribution of 0.50% of the original principal amount.]
- Registered the Securitized Utility Tariff Bonds with the Securities and Exchange Commission to facilitate greater liquidity.
- Achieved preliminary Aaa(sf)/AAA(sf) ratings from at least two of the three major rating agencies with final Aaa(sf)/AAA(sf) ratings a condition of closing.
- Selected underwriters that have relevant experience and execution capability.
- Provided the preliminary prospectus by e-mail to prospective investors.
- Allowed sufficient time for investors to review the preliminary prospectus and to ask questions regarding the transaction.
- Arranged for the issuance of rating agency pre-sale reports during the marketing period.
- During the period that the Securitized Utility Tariff Bonds were marketed, held daily market update discussions with the underwriting team to develop recommendations for pricing.
- Had multiple conversations with all of the members of the underwriting team before and during the marketing phase in which we stressed the requirements of the Financing Order.
- Developed and implemented a marketing plan designed to give each of the underwriters incentive to aggressively market the Securitized Utility Tariff Bonds to their customers and to reach out to a broad base of potential investors, including investors who have not previously purchased this type of security.
- Provided potential investors with access to an internet roadshow for viewing on repeated occasions at investors' convenience.
- Adapted the Securitized Utility Tariff Bond offering to market conditions and investor demand at the time of pricing. Variables impacting the final structure of the transaction were evaluated including the length of average lives and maturity of the Securitized Utility Tariff Bonds and interest rate requirements at the time of pricing so that the structure of the transaction would correspond to investor preferences and rating agency requirements for AAA ratings, while meeting the requirements of the Financing Order. [After evaluation, incorporated the use of original issue discount to investors consistent with the expectation that it would provide greater benefit than its cost.]
- Worked with underwriters (and each of our respective counsels) to finalize documentation in accordance with established standards for transactions of this sort and the terms of the Financing Order.

[Note: Foregoing bullet points are illustrative and will be modified to reflect actual activities in this transaction.]

Based upon information reasonably available to the officers, agents, and employees of the Petitioner, the Petitioner hereby certifies that the structuring, marketing and pricing of the Securitized Utility Tariff Bonds, as described in the issuance advice letter, will 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 (including the amortization structure, if any, ordered by the Commission), all within the meaning of Sections 393.1700-2.(b) and (c).

THE EMPIRE DISTRICT ELECTRIC COMPANY
D/B/A LIBERTY

By: ______________________________
Name: ______________________________
Title: ______________________________

THE EMPIRE DISTRICT ELECTRIC COMPANY d.b.a. LIBERTY

P.S.C. Mo. No. _________ Sec. ______ _________Original Sheet No. _

Canceling P.S.C. Mo. No. _________ Sec. ______ _________Original Sheet No. _

For ALL TERRITORY

SECURITIZED ENERGY TRANSITION CHARGE
RIDER SETC

DEFINITIONS:

For the purposes of this schedule the following terms shall have the following meanings:

COMPANY - Liberty and its successors and assigns that provide retail electric service directly to customers taking service at facilities, premises, or loads located within its Service Area.

FINANCING ORDER - the Financing Order issued by the Missouri Public Service Commission (Commission) in Case No. ER-2022-0193 under the Missouri Electricity Bill Reduction Act, RSMo Section 393.1700 of providing for the issuance by the Special Purpose Entity (SPE) of Securitized Utility Tariff Bonds to securitize the amount of Securitized Energy Tariff Costs and financing costs (Financing Costs) determined by the Commission in such order.

SERVICE AREA - the Company's [service area, the service area previously served by Liberty Central Company, as it existed on the date of approval of the Financing Order in Case No. ER-2022-0193.

SERVICER - on the effective date of this tariff, the Company shall act as Servicer. However, the SPE may select another party to function as Servicer or the Company may resign as Servicer in accordance with terms of the Servicing Agreement and Financing Order issued in Case No. ER-2022-0193. A Servicer selected under these conditions shall assume the obligations of the Company as Servicer under this schedule. As used in this schedule, the term Servicer includes any successor Servicer.

SPECIAL PURPOSE ENTITY (SPE) - the owner of Securitized Energy Transition Charge Property, on behalf of whom the SETCs are collected.

SECURITIZED ENERGY TRANSITION CHARGE (SETC) - a non-bypassable charge computed on a per kWh basis except for customers receiving electrical service under special contracts as of August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in Missouri.

APPLICABILITY:

This schedule, along with Rider SETC, sets out the rates, terms and conditions under which SETCs shall be billed and collected by the Company, any successor Servicer(s), and other entity on behalf of the owner of Securitized Energy Transition Charge Property pursuant to the terms of the Financing Order. This schedule is applicable to all retail customers receiving electrical service except for customer receiving electrical service under special contracts as of August 28 2021, even if a retail customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in Missouri.

Individual end-use customers are responsible for paying SETCs billed to them in accordance with the terms of this schedule. Payment is to be made to the entity that bills the customer in accordance with the terms of the Servicing Agreement and the Financing Order, which entity may be the Company, a successor Servicer or other entity which, under the terms of the Financing Order or the Securitization Statute, may be

THE EMPIRE DISTRICT ELECTRIC COMPANY d.b.a. LIBERTY

P.S.C. Mo. No. _________ Sec. ______ _________Original Sheet No. _

Canceling P.S.C. Mo. No. _________ Sec. ______ _________Original Sheet No. _

For ALL TERRITORY

SECURITIZED ENERGY TRANSITION CHARGE
RIDER SETC

obligated to pay or collect the SETCs. Another entity which, under the terms of the Financing Order or the Securitization Statute, is obligated to pay or collect the SETCs will pay the SETCs to the Servicer. The Servicer will remit collections to the SPE in accordance with the terms of the Servicing Agreement.

TERM:

This schedule shall remain in effect until SETCs have been collected and remitted to the SPE which are sufficient in amount to satisfy all obligations of the SPE in regard to paying principal and interest on the Securitized Energy Transition Charge Bonds together with all other financing costs as provided in the Securitization Statute. However, in no event shall the SETCs provided for in this schedule be collected for service rendered after 15 years from issuance of the Securitized Energy Transition Charge Bonds. SETCs for service rendered during the 15-year period following issuance of the Securitized Energy Transition Charge Bonds pursuant to the Financing Order, but not collected during that 15-year period, may be collected after the 15-year period. This schedule is irrevocable and non-bypassable for the full term during which it applies.

RATE CLASSES:

For the purposes of billing SETCs, each retail customer shall be designated as a customer in one of the following 12 customer classes. A new customer shall be assigned to the appropriate customer class based on anticipated usage characteristics.

Residential
Commercial
Small Heating
General Power
Transmission
Total Electric Building
Feed Mill
Large Power
Misc. Service
Street Lighting
Private Lighting
Special Lighting

PERIODIC BILLING REQUIREMENT ALLOCATION FACTORS:

The following Periodic Billing Requirement Allocation Factors (PBRAF) to be used in the calculation of the SETC Rates are calculated using the methods approved by the Commission in the Financing Order. The PBRAFs shall be the percentage of cost responsibility for each Securitized Energy Transition Charge customer class.

Securitized Energy Transition Charge Class	PBRAF
Residential	45.02%

THE EMPIRE DISTRICT ELECTRIC COMPANY d.b.a. LIBERTY

P.S.C. Mo. No. _________ Sec. ______ _________Original Sheet No. _

Canceling P.S.C. Mo. No. _________ Sec. ______ _________Original Sheet No. _

For ALL TERRITORY

SECURITIZED ENERGY TRANSITION CHARGE
RIDER SETC

Securitized Energy Transition Charge Class	PBRAF
Commercial	
Small Heating	
General Power	
Transmission	
Total Electric Building	
Feed Mill	
Large Power	
Misc. Service	
Street Lighting	
Private Lighting	
Special Lighting	

DETERMINATION OF SECURITIZED ENERGY TRANSITION CHARGE {SETC) RATES:

SETC Rates will be adjusted no less frequently than annually in order to ensure that the expected collection of SETCs is adequate to pay when due, pursuant to the expected amortization schedule, principal and interest on the Securitized Utility Tariff Bonds and pay on a timely basis other Financing Costs. The SETC Rates shall be computed by multiplying the PBRAFs times the Periodic Billing Requirement (PBR) for the projected period in which the adjusted SETC Rates are expected to be in effect (SETC Period), and dividing such amount by the billing units of the SETC customer class, as shown in the following formula:

$SETC_c$ = $[(PBR * PBRAF_c) + P_c] / FBU_c$

where,

$SETC_c$ = Securitized Energy Transition Charge Rate applicable to a SETC rate class during the SRC Period;

PBR = Periodic Billing Requirement for the SETC Period;

$PBRAF_c$ = The Periodic Billing Requirement Allocation Factor for such class in effect at such time;

P_c = Prior period over-funder-recovery for such class;

FBU_c = Forecasted Billing Units (i.e., class-specific energy or demand billing units) currently forecast for a class for the SETC period.

THE EMPIRE DISTRICT ELECTRIC COMPANY d.b.a. LIBERTY

P.S.C. Mo. No. _________ Sec. ______ _________Original Sheet No. _

Canceling P.S.C. Mo. No. _________ Sec. ______ _________Original Sheet No. _

For ALL TERRITORY

SECURITIZED ENERGY TRANSITION CHARGE
RIDER SETC

TRUE-UP ADJUSTMENT PROCEDURE:

Not less than 60 days prior to the first billing cycle for the Company's [month] billing month, and no less frequently than annually, the Servicer shall file a revised Rider SETC setting forth the upcoming SETC period's SETC Rates, complete with all supporting materials. The adjusted SETC Rates will become effective on the first billing cycle of the Company's [month] billing month. The Commission will have 30 days after the date of the true-up filing in which to confirm the accuracy of the of the Servicer's adjustment. Any necessary corrections to the adjusted SETC Rates, due to mathematical errors in the calculation of such rates shall be refiled.

In addition, optional interim true-up adjustments may be made more frequently by the Servicer at any time during the term of the Securitized Energy Transition Charge Bonds to correct any undercollection or overcollection, as provided for in the Financing Order, in order to assure timely payment of the Securitized Energy Transition Charge Bonds based on rating agency and bondholder considerations. Further, the Servicer must make mandatory interim true-up adjustments semi-annually (or quarterly beginning 12 months prior to the final scheduled payment date of the last tranche of the Securitized Energy Transition Charge Bonds) if the Servicer forecasts that Securitized Energy Transition Charge collections will be insufficient to make all scheduled payments of principal, interest and other amounts in respect of the Securitized Energy Transition Charge Bonds on a timely basis during the current or next succeeding payment period and/or or to replenish any draws upon the capital subaccount. In the event an interim true-up (whether mandatory or optional) is necessary, the interim true-up adjustment must use the methodology utilized in the most recent annual true-up and be filed not less than 60 days prior to the following month's first billing cycle for implementation. Filing with and review by the Commission will be accomplished for the interim true-up adjustment in the manner as for the annual true-up adjustment set forth above. In no event will a mandatory interim true-up adjustment occur more frequently than every six months provided, however, that mandatory interim true-up adjustments beginning 12 months prior to the final scheduled payment date of the last tranche of the Securitized Energy Transition Charge Bonds shall occur quarterly.

The true-up shall be conducted in the following manner. The Servicer shall:

(a) allocate the upcoming period's Periodic Billing Requirement based on the PBRAFs approved in the Financing Order;

(b) calculate undercollections or overcollections from the preceding period in each class by subtracting the previous period's Securitized Energy Transition Charge revenues collected from each class from the Periodic Billing Requirement determined for that class for the same period;

(c) sum the amounts allocated to each customer class in steps (a) and (b) above to determine an adjusted Periodic Billing Requirement for each customer class;

(d) divide the Periodic Billing Requirement for each customer class by the maximum of the forecasted billing units or the threshold billing units for that class, to determine the threshold rate;

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(e) multiply the threshold rate by the forecasted billing units for each class to determine the expected collections under the threshold rate;

(f) allocate the difference in the adjusted Periodic Billing Requirement and the expected collections calculated in step (e) among the Securitized Energy Transition Charge customer classes using the PBRAFs approved in this Financing Order;

(g) add the amount allocated to each class in step (f) above to the expected collection amount by class calculated in step (e) above to determine the final Periodic Billing Requirement for each class; and

(h) divide the final Periodic Billing Requirement for each class by the forecasted billing units to determine the Securitized Energy Transition Charge rate by class for the upcoming period. The final Periodic Billing Requirement class percentage of the total Periodic Billing Requirement equals the adjusted PBRAFs.

OTHER TERMS AND CONDITIONS:

If the customer or other entity which, under the terms of the Financing Order or the Act, may be obligated to pay or collect the SETCs, pays only a portion of its bill, a pro-rata share amount of Securitized Energy Transition Charge revenues shall be deemed to be collected. In the event of any such shortfall, the amount paid will be allocated to the Securitized Energy Transition Charges in the same proportion that such charges bear to the total bill. The first dollars collected would be attributed to past due balances, if any. If cash collections are not sufficient to pay a customer’s current bill once those balances are paid in full then the cash would be prorated between the different components of the bill.

The Company shall cause to be prepared and included on each electric bill a statement stating, in effect, that the Securitized Utility Tariff Property and the Securitized Energy Transition Charges are owned by the SPE and not the Company. On each customer's bill, the securitized Energy Transition Charge shall be a separate line item and include both the rate and the amount of the charge.

AVAILABILITY:

This schedule is applicable to billed energy consumption and demands of retail customers taking service from the Company during the term that this schedule is in effect, and to the facilities, premises, and loads of all other retail customers obligated to pay Rider SETC Charges as provided in Schedule SETC, Section 6.1.1.6.3. Terms defined in Schedule SETC that are used herein shall have the same meaning as set forth in Schedule SETC.

RATE CLASSES:

For purposes of billing Securitized Energy Transition Charge Rates (SETC Rates), each retail customer will be designated as a customer belonging to one of 12 classes as identified by Schedule SETC.

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SECURITIZED ENERGY TRANSITION CHARGE RATES:

Securitized Energy Transition Charge Customer Class	SETC Rates	
Residential	$	per kWh
Commercial	$	per kWh
Small Heating	$	per kWh
General Power	$	per kWh
Transmission	$	per kWh
Total Electric Building	$	per kWh
Feed Mill	$	per kWh
Large Power	$	per kWh
Misc. Service	$	per kWh
Street Lighting	$	per kWh
Private Lighting	$	per kWh
Special Lighting	$	per kWh

The SETC Rates are multiplied by the kWh or kW, as applicable, read, estimated or determined during the billing month and will be applied to bills rendered on and after the effective date.

SECURITIZED ENERGY TRANSITION CHARGE TRUE-UP:

The Securitized Energy Transition Charge Rates shall be determined in accordance with and are subject to the provisions set forth in the Financing Order and Schedule SETC. Not less than 30 days prior to the first billing cycle for the Company's [month] billing month and no less frequently than annually thereafter, the Company or successor Servicer will file a revision to Rider SETC setting forth the adjusted SETC Rates to be effective for the upcoming period. If made as a result of the annual true-up adjustment in Schedule SETC, the adjusted SETC Rates will become effective on the first billing cycle of the Company's [month] billing month. In accordance with Schedule SETC, an interim true-up is mandatory semi-annually (or quarterly beginning 12 months prior the final scheduled payment date of the last tranche of the Securitized Energy Transition Charge Bonds) if the Servicer forecasts that Securitized Energy Transition Charge collections will be insufficient to make all scheduled payments of principal, interest and other amounts in respect of the Securitized Energy Transition Charge Bonds on a timely basis during the current or next succeeding payment period and/or or to replenish any draws upon the capital subaccount. Additional interim true-ups may also be made at any time as described in Schedule SETC. If an interim true-up adjustment is made pursuant to Schedule SETC, the Adjusted SETC Rates will be become effective on the first billing cycle of the Company's billing month that is not less than 30 days following the making of the interim true-up adjustment filing.

The servicer may also submit for approval a non-standard true-up adjustment to propose revisions to the methodology in this Securitized Energy Transition Charge Rider SETC. The Commission will have 60 days to review any non-standard true-up adjustment. Absent a resolution that modifies or rejects the non-

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standard true-up adjustment, the servicer may implement the adjustments 60 days after the date of its submission.

ESTIMATED UPFRONT FINANCING COSTS

UPFRONT FINANCING COSTS		
Legal Fees (Company, Issuer, and Underwriter)	$	1,900,000
Trustee's/Trustee Counsel's Fees and Expenses	$	TBD
Legal Fees for Counsel to the Commission, if any	$	TBD
Underwriters' Fees	$	566,930
Auditor Fees	$	200,000
Structuring Advisor	$	255,000
Miscellaneous	$	50,000
Consultants' Fees	$	135,200
Commission's Financial Advisor Fees and other fees and expenses	$	TBD
SEC Registration Fees		0.00927%
Rating Agency Fees		0.1150%
Printing/Edgarizing	$	
Original Issue Discount	$	TBD
TOTAL UPFRONT FINANCING COSTS FINANCED	**$**	**3,287,122**

ONGOING FINANCING COSTS

		ANNUAL AMOUNT
Servicing Fee (Liberty as Servicer) (0.05% of initial Securitized Utility Tariff Bond principal amount)	$	72,510
Independent Director or Manager's Fee	$	[ ]
Administration Fee	$	50,000
Trustee's/Trustee's Counsel Fees and Expenses	$	5,000
Accountant's Fee	$	75,000
Legal Fees/Expenses for Company's/Issuer's Counsel	$	35,000
Rating Agency Fees	$	40,000
Return on Capital Account for Credit enhancement (calculated at proposed WACC from ER-2019-0374)	$	49,089
Printing/Edgarizing Fees	$	10,000
Miscellaneous	$	10,000
TOTAL ONGOING FINANCING COSTS (with Liberty as Servicer)	**$**	**346,599**
Ongoing Servicers Fee (Third Party as Servicer) (0.60 % of principal amount)	$	870,118
TOTAL ONGOING FINANCING COSTS (Third Party as Servicer)	**$**	**1,144,207**