



The Empire District Electric Company
A Liberty Utilities Company
Case No. ER-2019-0374
OPC Data Request – 1011

Data Request Received: 3/09/20
Request No. 1011
Submitted by: Robert Schallenberg

Date of Response: 3/24/2020
Respondent: Mark Timpe

REQUEST:

Who, on Liberty-Empire's behalf, evaluated and determined Liberty-Empire's best course of action for refinancing its \$90 million of first mortgage bonds that matured and came due on June 1, 2018?

a. Did that/those analyst(s) evaluate the option of refinancing those \$90 million of Empire first mortgage bonds with a new issuance of mortgage bonds? If so, please provide copies of the documentation of any such analysis. If not, explain why not.

RESPONSE:

Arthur Kacprzak, Vice President – Treasury & Treasurer for Algonquin Power & Utilities Corp. and Mark Timpe, Director, Treasury of Liberty Utilities, in consultation with David Bronicheski, CFO of Algonquin Power & Utilities Corp.

a. No. In the Company's view, a \$90 million "one-off" financing, given its very small size, would attract an insufficient level of investor interest leading to higher credit spreads that are otherwise available under the Liberty Utilities financing strategy. Liberty's strategy of warehousing financing needs until an efficient deal size is reached is designed to produce substantial debt investor interest given desired investment thresholds and mixes of issuance tenors. This strategy also offers debt investors a more diverse and larger mix of utility cash flows from both a mode and geographic perspective. Finally, as noted in Mr. Timpe's Rebuttal Testimony on page 10 at lines 5-7, the \$90 million Empire promissory note issued to LUCo on June 1, 2018 was priced based on Liberty's \$750 million private debt placement which was nearly 3 times oversubscribed which evidences the wisdom of Liberty's financing strategy.



The Empire District Electric Company

A Liberty Utilities Company

Case No. ER-2019-0374

OPC Data Request – 1012

Data Request Received: 03/09/20

Request No. 1012

Submitted by: Robert Schallenberg

Date of Response: 3/24/2020

Respondent: Mark Timpe

REQUEST:

Did Empire ever issue long term promissory notes to support its long-lived assets before Algonquin Power & Utilities Corp. acquired Empire? If so, please provide copies of the promissory notes that Empire issued.

OBJECTION:

Liberty-Empire objects to this DR on the bases that it is overly broad and unlimited in time and seeks information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence in this proceeding.

Subject to and without waiving this objection, Liberty-Empire will provide a timely response to this DR.

RESPONSE:

Yes. Empire has a 1999 Senior Notes Indenture under which \$102 million of unsecured notes have been issued.



The Empire District Electric Company
A Liberty Utilities Company
Case No. ER-2019-0374
OPC Data Request – 1013

Data Request Received: 03/09/20
Request No. 1013
Submitted by: Robert Schallenberg

Date of Response: 3/24/2020
Respondent: Mark Timpe

REQUEST:

Does LUCo/LUSC have a promissory note platform that it uses when debt financing its affiliates? If so, please provide the following:

- a. a copy of the policy for this platform;
- b. each and every document of the decision for this platform;
- c. a copy of each and every document related to (i) Liberty-Empire's officers, (ii) Liberty-Empire's board of directors, (iii) LUCo's officers, and (iv) LUCo's board of directors approval of this platform.

OBJECTION:

Liberty-Empire objects to this DR on the bases that it is vague, overbroad, and unduly burdensome, and seeks information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence in this proceeding.

Subject to and without waiving this objection, Liberty-Empire will provide a timely response to this DR.

RESPONSE:

While it is unclear what the inquirer means by "promissory note platform," it has been and continues to be the Company's practice to provide debt financing for its subsidiaries and to document the underlying debt obligations utilizing unsecured promissory notes.



The Empire District Electric Company

A Liberty Utilities Company

Case No. ER-2019-0374

OPC Data Request – 1014

Data Request Received: 03/09/20

Request No. 1014

Submitted by: Robert Schallenberg

Date of Response: 3/24/2020

Respondent: Mark Timpe

REQUEST:

What is the life span of Liberty-Empire's long-term assets? When was that life span determined? Please provide each and every document supporting that life span determination.

OBJECTION:

Liberty-Empire objects to the portion of the DR asking for "each and every document" on the bases that it is vague, overbroad, and unduly burdensome, and seeks information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence in this proceeding.

Subject to and without waiving this objection, Liberty-Empire will provide a timely response to this DR.

RESPONSE:

Provisions for depreciation are computed at straight-line rates in accordance with GAAP consistent with rates approved by regulatory authorities. These rates are applied to the various classes of utility assets on a composite basis. Provisions for depreciation for our other segment are computed at straight-line rates over the estimated useful lives of the properties. As noted in the Annual Depreciation Rates table on page 19 of Empire's 2018 audited financial statement, the Company average depreciation factor was 3.0% for 2018 which translates into an average asset life of 33.33 years.



The Empire District Electric Company

A Liberty Utilities Company

Case No. ER-2019-0374

OPC Data Request – 1017

Data Request Received: 03/09/20

Request No. 1017

Submitted by: Robert Schallenberg

Date of Response: 3/24/2020

Respondent: Mark Timpe

REQUEST:

When is the use of short term debt imprudent, as Mr. Timpe testifies on page 5 at lines 21 and 22 of his rebuttal testimony?

RESPONSE:

As noted in Mr. Timpe's rebuttal testimony on page 3 at lines 12-18, utilizing short-term debt to finance long-lived assets ignores the matching principle. It would be imprudent to continually rollover short-term funding as a means of financing long-term assets.



The Empire District Electric Company

A Liberty Utilities Company

Case No. ER-2019-0374

OPC Data Request – 3030

Data Request Received: 01/03/20

Request No. 3030

Date of Response: 01/23/20

Respondent: Mark Timpe

Submitted by: David Murray

REQUEST:

How has Empire financed its liquidity needs for the period March 31, 2018, through December 31, 2019?

RESPONSE:

For the period March 31, 2018 through November 7, 2019, Empire's sources of liquidity were internally generated cash and its own commercial paper program. Beginning November 8, 2019, Empire began receiving intercompany advances, at no cost, from Liberty Utilities Co., in lieu of issuing its own commercial paper. Eventually, participation in the Liberty Utilities Money Pool will replace the need for intercompany advances.