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Rate Case Expense
Witness: Paul R. Harrison
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: WR-2018-0170
Date Testimony Prepared: July 20, 2018

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

PAUL R. HARRISON

**LIBERTY UTILITIES (MISSOURI WATER), LLC
D/B/A LIBERTY UTILITIES**

CASE NO. WR-2018-0170

*Jefferson City, Missouri
July 2018*

Exhibit No. 106
Date 8-16-18 Reporter TU
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1 REBUTTAL TESTIMONY

2 OF

3 PAUL R. HARRISON

4 LIBERTY UTILITIES (MISSOURI WATER), LLC
5 D/B/A LIBERTY UTILITIES

6 CASE NO. WR-2018-0170

7 Q. Please state your name and business address.

8 A. Paul R. Harrison, P. O. Box 360, Jefferson City, Missouri 65102.

9 Q. Are you the same Paul R. Harrison who has previously filed direct testimony
10 in this proceeding?

11 A. Yes, I am.

12 Q. What is the purpose of your rebuttal testimony for this case?

13 A. The purpose of my rebuttal testimony in this case is two-fold: (1) to address
14 the changes that Staff has made to Staff's revenue requirement for Liberty Utilities since Staff
15 filed its direct testimony on June 22, 2018, and (2) to address Liberty Utilities witness
16 Jill Schwartz's direct testimony concerning rate case expense.

17 UPDATED REVENUE REQUIREMENT AFTER CIAC CHANGES

18 Q. What changes have been made to Staff's cost of service since filing
19 direct testimony to cause Staff's recommended revenue requirement to change?

20 A. While reconciling the amount of rate base valuation differences between Staff
21 and the Company, Staff noticed that there was a significant difference in the amount of the
22 Contribution in Aid of Construction ("CIAC") rate base offset included in the Company's cost
23 of service and Staff's cost of service. Pending receipt of further information, Staff elected to

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1 | update the level of CIAC in Staff's cost of service to match the Company's response to
2 | Staff DR No. 11.

3 | Q. What affect did this change make on the Staff's recommended revenue
4 | requirement for Liberty Utilities?

5 | A. The incremental increase for water and sewer rates that was filed in Staff's
6 | direct testimony was \$990,209 and the recommended incremental increase in rates after Staff
7 | changed the CIAC to match the Company's data request response is \$978,569.

8 | **RATE CASE EXPENSE**

9 | Q. Has Liberty Utilities incurred any rate case expense to process its current
10 | rate case?

11 | A. Yes. Company witness Schwartz states in her direct testimony on page 7,
12 | lines 7 through 12 that, "Liberty Water has been billed \$25,185 for outside counsel fees
13 | through the end of May 2018. The Company will provide Staff, OPC and the intervening
14 | parties' invoices associated with this case that have been received so far and it will continue to
15 | provide those invoices as they are received in the future."¹ On ~~June~~^{July} 17, 2018, the Company
16 | provided Staff with rate case expense invoices; however, Staff has not been able to review the
17 | invoices before the filing of this rebuttal testimony. Staff will review the invoices and update
18 | its case before surrebuttal testimony is to be filed in this proceeding.

19 | Q. Does Staff agree with Ms. Schwartz's statement on rate case expense in her
20 | Direct Testimony on page 7, lines 18 through 22 and on page 8, lines 1 and 2, which states:

21 | The Company's rate case expenses are being incurred to address
22 | matters in dispute for resolution by the Commission. These
23 | expenses incurred by the Company for this case are customary
24 | rate case expenses and the Company is cognizant to ensure that

¹ [Sic].

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1 the costs are prudent and reasonable for its customers.
2 Accordingly, an allowance for rate case expense normalized
3 over two years should be brought forward to a date that will
4 allow for a majority of costs to be captured in the revenue
5 requirement determined by the Commission.

6 A. Staff agrees that the Company has incurred expenses in relation to this rate
7 proceeding, but Staff disagrees with normalizing rate case expense over a two year period.

8 Q. What period of time does Staff recommend for rate case expense
9 normalization?

10 A. Staff recommends a 5-year period for normalizing rate case expense.

11 Q. Why does Staff recommend a 5-year period for normalizing rate case expense
12 instead of a 2-year period?

13 A. Staff's recommendation is based upon an analysis of how often
14 Liberty Utilities has filed for rate increase over the past several years. It has been seven to
15 eleven years since any component of Liberty Utilities water and sewer systems has had a rate
16 increase. In any event, there is no guarantee that the Company will actually file for a rate
17 increase in two years, much less receive a further change in rates during this period.
18 If Liberty Utilities' rate case expenses are normalized in this case over a 2-year period, and
19 Liberty Utilities does not file another rate case until sometime past that 2-year period, it will
20 over-recover rate case expense for each and every year that it delays filing. Therefore, Staff
21 believes that it is reasonable to normalize rate case expense over a 5-year period in this case,
22 and Staff will include a normalized level of rate case expense upon receipt of the necessary
23 invoices and/or source documents.

24 Q. Does this conclude your rebuttal testimony?

25 A. Yes.

