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Exhibit No.:

Issue:

Infrastructure System

Replacement Surcharge

Witness:

Sarah B. Sharpe

Sponsoring Party:

MoPSC Staff

Type of Exhibit:

Surrebuttal Testimony

Case No.:

GR-2014-0152

Date Testimony Prepared:

August 15, 2014

# MISSOURI PUBLIC SERVICE COMMISSION REGULATORY REVIEW DIVISION UTILITY SERVICES - AUDITING

#### SURREBUTTAL TESTIMONY

OF

SARAH B. SHARPE

## LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP. d/b/a LIBERTY UTILITIES

CASE NO. GR-2014-0152

PSC Exhibit No. 38

Date 9 6 11 Reporter 570

File No.

Jefferson City, Missouri August 2014

1		SURREBUTTAL TESTIMONY	
2		OF	
3		SARAH B. SHARPE	
4		LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.	
5		d/b/a LIBERTY UTILITIES	
6		CASE NO. GR-2014-0152	
7	Q.	Please state your name and business address.	
8	A.	Sarah B. Sharpe, 111 N. 7 <sup>th</sup> Street, Suite 105, St. Louis, MO 63101.	
9	Q.	By whom are you employed and in what capacity?	
10	A.	I am employed by the Missouri Public Service Commission ("Commission") as a	
11	Utility Regulatory Auditor II in the Auditing Unit of the Utility Services Department, Regulatory		
12	Review Division.		
13	Q.	Are you the same Sarah B. Sharpe who contributed to Staff's Revenue	
14	Requirement	Cost of Service Report ("Report") filed on June 6, 2014, and filed rebuttal	
15	testimony on July 30, 2014 in this case?		
16	A.	Yes, I am.	
17	Q.	What is the purpose of your surrebuttal testimony in this proceeding?	
18	A.	My surrebuttal testimony will respond to the rebuttal testimony of the Office of	
19	the Public Council ("OPC") witness William Addo regarding the Infrastructure System		
20	Replacement Surcharge.		
21	INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE		
22	Q.	Has the Commission previously addressed OPC's concern expressed in	
23	Mr. Addo's rebuttal testimony regarding the leak repair and damage repair costs, previously		

included in Liberty's Infrastructure System Replacement Surcharge (ISRS), which have subsequently been included in rate base by Staff in this proceeding?

- A. OPC brought these concerns before the Commission in Liberty Utilities' most recent ISRS case, GO-2014-0006, which was subject to an evidentiary hearing on September 26, 2013. In that proceeding, OPC presented several objections to Liberty's petition for an increase in their ISRS rates, among them being assertions that the submitted work orders that Liberty Utilities included as evidence of an increase in ISRS revenue rates were invalid. OPC considered the work orders invalid for capitalization because they believed the projects did not fall under ISRS-approved capital project definitions, and should be booked under maintenance expenses.
- Q. How did the Commission address the inclusion of capitalized leak repair work orders and damaged infrastructure repair costs in Liberty's ISRS case, GO-2014-0006?
- A. The Commission stated on page 13 of the Report and Order, issued on October 16, 2013, that:

... a pipe damaged by a third party is in a deteriorated condition and, therefore, an eligible project because it has been lowered in quality, character, or value, although that deterioration has occurred quicker than what happens normally through the passage of time. In addition, these projects and the capitalized leak repairs performed by Liberty also qualify as eligible projects because they are 'similar projects extending the useful life or enhancing the integrity of pipeline systems components . . . '

- Q. What did the Commission ultimately decide in case GO-2014-0006?
- A. Per the Report and Order issued on October 16, 2013 on page 16:

... after applying the facts to the law to reach its conclusions, the Commission concludes that the substantial and competent evidence in the record supports the conclusion that Liberty has met, by a preponderance of the evidence, its burden of proof to demonstrate that the Petition and supporting documentation comply with the requirements of Section 393.1009 to 393.1015, RSMo Supp. 2012.

## Surrebuttal Testimony of Sarah B. Sharpe

1	Q.	Has OPC sought relief from another court on the Commission's decision?	
2	A.	Yes. OPC filed a Notice to Appeal under the Western District Court of Appeals	
3	under Case No. WD77089, and was subsequently denied as stated in the appeals court Opinion:		
4 5 6		therefore, the Commission's decision to allow Liberty to recover its costs, through the ISRS, for projects replacing such facilities is lawful and reasonable. Public Counsel's point is denied.	
7	Q.	What is Staff's position on this issue?	
8	A.	Staff supports the position previously set forth by the Commission and affirmed	
9 .	by the Court of Appeals as set forth above that these expenditures are properly accounted for as		
10	capital in nature and, therefore, should be included in Liberty's rate base.		
11	Q.	Does this conclude your surrebuttal testimony?	
12	A.	Yes, it does.	

### BEFORE THE PUBLIC SERVICE COMMISSION

### OF THE STATE OF MISSOURI

In the Matter of Liberty Utilitie Natural Gas) Corp. d/b/a Libe Tariff Revisions Designed To I General Rate Increase for Natural in the Missouri Service Areas of the	rty Utilities' ) Case No. GR-2014-0152 (implement a ) Gas Service )
AFFI	DAVIT OF SARAH B. SHARPE
STATE OF MISSOURI ) COUNTY OF ST LOUIS )	SS.
of the foregoing Surrebuttal Test pages to be presented in the above	on her oath states: that she has participated in the preparation imony in question and answer form, consisting of case; that the answers in the foregoing Surrebuttal Testimony owledge of the matters set forth in such answers; and that such pest of her knowledge and belief.
	Sarah B, Sharpe
Subscribed and sworn to before me LISA K. HANNEKEN Notary Public - Notary Seal State of Missouri Commissioned for Franklin County	e this day of August, 2014.
Commissioned for Franklin County My Commission Expires: April 29, 2018 Commission Number: 14987138	Notary Public