

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 9/8/14 Reporter SJP  
File No. \_\_\_\_\_

*Jefferson City, Missouri  
August 2014*



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

3 A. OPC brought these concerns before the Commission in Liberty Utilities' most  
4 recent ISRS case, GO-2014-0006, which was subject to an evidentiary hearing on September 26,  
5 2013. In that proceeding, OPC presented several objections to Liberty's petition for an  
6 increase in their ISRS rates, among them being assertions that the submitted work orders  
7 that Liberty Utilities included as evidence of an increase in ISRS revenue rates were invalid.  
8 OPC considered the work orders invalid for capitalization because they believed the projects did  
9 not fall under ISRS-approved capital project definitions, and should be booked under  
10 maintenance expenses.

11 Q. How did the Commission address the inclusion of capitalized leak repair work  
12 orders and damaged infrastructure repair costs in Liberty's ISRS case, GO-2014-0006?

13 A. The Commission stated on page 13 of the Report and Order, issued on  
14 October 16, 2013, that:

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

23 Q. What did the Commission ultimately decide in case GO-2014-0006?

24 A. Per the Report and Order issued on October 16, 2013 on page 16:

25 *... after applying the facts to the law to reach its conclusions, the*  
26 *Commission concludes that the substantial and competent evidence*  
27 *in the record supports the conclusion that Liberty has met, by a*  
28 *preponderance of the evidence, its burden of proof to demonstrate*  
29 *that the Petition and supporting documentation comply with the*  
30 *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 *...therefore, the Commission's decision to allow Liberty to recover*  
5 *its costs, through the ISRS, for projects replacing such facilities is*  
6 *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

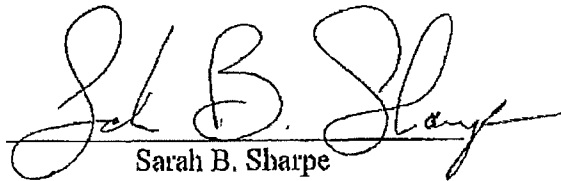
In the Matter of Liberty Utilities (Midstates )  
Natural Gas) Corp. d/b/a Liberty Utilities' )  
Tariff Revisions Designed To Implement a )  
General Rate Increase for Natural Gas Service )  
in the Missouri Service Areas of the Company )

Case No. GR-2014-0152

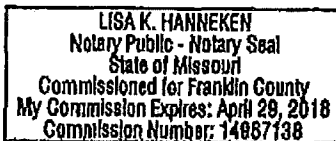
AFFIDAVIT OF SARAH B. SHARPE

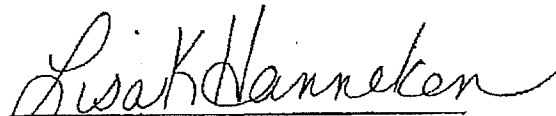
STATE OF MISSOURI     )  
                                  )  
COUNTY OF ST LOUIS    )     ss.

Sarah B. Sharpe, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

  
Sarah B. Sharpe

Subscribed and sworn to before me this 14<sup>th</sup> day of August, 2014.



  
Notary Public