

Exhibit No.:	_____
Issue(s):	Plant-in-Service/ Accumulated Depreciation Reserve/ Infrastructure System Replacement Surcharge
Witness/Type of Exhibit:	Addo/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	GR-2014-0152

REBUTTAL TESTIMONY

OF

WILLIAM ADDO

Submitted on Behalf of the Office of the Public Counsel

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.
D/B/A LIBERTY UTILITY**

CASE NO. GR-2014-0152

July 30, 2014

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

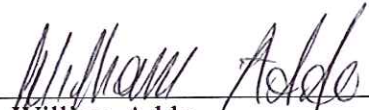
In the Matter of Liberty Utilities)
 (Midstates Natural Gas) Corp. d/b/a)
 Liberty Utilities' Tariff Revisions) Case No. GR-2014-0152
 Designed To Implement a General Rate)
 Increase for Natural Gas Service in the)
 Missouri Service Areas of the Company)

AFFIDAVIT OF WILLIAM ADDO

STATE OF MISSOURI)
) ss
 COUNTY OF COLE)

William Addo, of lawful age and being first duly sworn, deposes and states:

1. My name is William Addo. I am a Public Utility Accountant I for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




 William Addo
 Public Utility Accountant I

Subscribed and sworn to me this 30th day of July, 2014.



JERENE A. BUCKMAN
 My Commission Expires
 August 23, 2017
 Cole County
 Commission #13754037



 Jerene A. Buckman
 Notary Public

My Commission expires August 23, 2017.

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**REBUTTAL TESTIMONY
OF
WILLIAM ADDO**

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORPORATION
d/b/a LIBERTY UTILITIES.**

CASE NO. GR-2014-0152

1 **I. INTRODUCTION.**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. William Addo, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

4

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed by the Missouri Office of the Public Counsel (“OPC” or “Public
7 Counsel”) as a Public Utility Accountant 1.

8

9 Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

10 A. My duties include performing audits and examinations of the books and records of public
11 utilities operating within the state of Missouri under the supervision of the Chief Public
12 Utility Accountant, Mr. Ted Robertson.

13

14 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER
15 QUALIFICATIONS.

16 A. I graduated in May, 2004, from the University of Ghana with a Diploma in Accounting.

17 In May 2007, I received a Bachelor of Science Degree in Business Administration

18 (Accounting Major) from the same institution. In May 2010, I received a Masters Degree

1 in Business Administration (Accounting Major) from Lincoln University in Jefferson
2 City, Missouri.

3
4 Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC
5 UTILITY ACCOUNTING?

6 A. Yes. I have attended the National Association of Regulatory Utility Commissioners
7 (“NARUC”) Annual Regulatory Studies Program.

8
9 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC
10 SERVICE COMMISSION (“COMMISSION” OR “MPSC”)?

11 A. Yes. Please refer to Schedule WA-1, which is attached to this Testimony, for a list of
12 cases in which I have previously filed testimony.

13
14 **II. PURPOSE OF TESTIMONY.**

15 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

16 A. The purpose of this Rebuttal Testimony is to address the Public Counsel's positions
17 regarding Plant-in-Service and accumulated depreciation reserve balances reflected by
18 the MPSC Staff in its Accounting Schedules filed with the Commission on June 6, 2014.
19 This Testimony will also address Public Counsel’s concerns relating to Liberty Utilities’
20 ratemaking treatment of leak repair and damaged infrastructure repair costs in its

1 Infrastructure System Replacement Surcharge (ISRS) filings, which are ultimately
2 included in rates in this instant case.

3
4 **III. PLANT-IN-SERVICE.**

5 Q. WHAT IS THE ISSUE?

6 A. My review of the MPSC Staff's Accounting Schedules filed with the Commission on
7 June 6, 2014 show that all of Liberty Utilities' three rate districts, namely: Northeast
8 Missouri ("NEMO"), Southeast Missouri ("SEMO"), and Western Missouri ("WEMO")
9 reflect negative Plant-in-Service balances for Account 366 (Structures and Improvement),
10 of the Uniform System of Accounts ("USOA"). In a likewise manner, USOA Account
11 399, Other Tangible Property, also reflects negative Plant-in-Service balances for all the
12 three rate districts.

13
14 Q. WHAT IS THE VALUE OF THESE NEGATIVE PLANT-IN-SERVICE BALANCES?

15 A. My review shows that for USOA Account 366, the NEMO, SEMO, and WEMO rate
16 districts have negative Plant-in-Service balances amounting to \$26,128, \$14,906, and
17 \$11,028, respectively. USOA Account 399 has negative Plant-in-Service balances in the
18 amount of \$134,855, \$197,065, and \$24,554 for the NEMO, SEMO, and WEMO rate
19 districts, respectively.

1 Q. IS IT A NORMAL OCCURRENCE IN ACCOUNTING TO HAVE A NEGATIVE
2 PLANT ASSET BALANCE?

3 A. No. Generally, a negative plant asset balance is an indicator that an incorrect accounting
4 transaction may have been entered into a plant asset account; a wrong account was used
5 as part of a journal entry, or a complete reversal of a debit and/or a credit account have
6 erroneously occurred.

7
8 Q. IS THE MPSC STAFF AWARE OF THESE ERRORS?

9 A. Yes, my understanding from the MPSC Staff is that the errors occurred as a result of
10 misinformation on the part of the Company with regard to the appropriate plant accounts
11 that the Company utilized in booking these plant assets. The MPSC Staff has since
12 updated its workpapers to correct these errors; however, since the MPSC Staff did not file
13 updated Accounting Schedules with the Commission, Public Counsel deems it
14 appropriate to put on record the existence of these errors.

15
16 **IV. ACCUMULATED DEPRECIATION RESERVE.**

17 Q. WHAT IS THE ISSUE?

18 A. This issue relates to the MPSC Staff's adjustments to accumulated depreciation
19 reserve accounts. My review of the MPSC Staff's Workpaper, Sharpe PR
20 Accumulated Reserve, Tab: EMS Adj., shows that the MPSC Staff effected

1 numerous adjustments to test year accumulated depreciation account balances.
2 These adjustments subsequently resulted in negative accumulated depreciation
3 reserve balances in some USOA accounts in the MPSC Staff's Accounting
4 Schedules filed with the Commission on June 6, 2014. For example, the MPSC
5 Staff's filed Accounting Schedules for both NEMO and SEMO reflect negative
6 accumulated depreciation reserve balances for USOA Account 380 (Services).
7 Public Counsel believes that these numerous accumulated depreciation reserve
8 adjustments might have resulted from Liberty Utilities' ratemaking treatment
9 afforded to the cost of removal amounts included in depreciation rates. Public
10 Counsel is still working with the Company and the MPSC Staff to address this
11 issue.

12
13 **V. INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE.**

14 **Q. WHAT IS THE ISSUE?**

15 **A.** This issue relates to Liberty Utilities' Case Nos. GO-2014-0006 and GO-2013-0048 ISRS
16 filings; and Atmos Energy Corporation Inc.'s, Liberty Utilities predecessor company,
17 ISRS filing in Case No. GO-2011-0149. Public Counsel believes that these ISRS filings
18 include leak repair and damaged infrastructure repair costs that were capitalized, and
19 subsequently included in rate base in this instant case, which should have been expensed.
20 Public Counsel believes that some of the leak repair and damaged infrastructure costs

1 were “simple repair jobs” that did not significantly increase the performance capabilities
2 of the overall efficiency and the useful life of the assets; therefore, do not meet the
3 requirements for capitalization of a cost. These costs should have been included in
4 expenses. Public Counsel is currently awaiting more information in response to several
5 Data Requests regarding this issue in order to finish its investigation.

6
7 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

8 A. Yes, it does.

WILLIAM ADDO

COMPANY	CASE NO.
Empire District Electric Company	ER-2012-0345
Lincoln County Sewer and Water Company, LLC	SR-2013-0321 WR-2013-0322
Kansas City Power & Light Company and Kansas City Power & Light Greater Missouri Operations Company	EU-2014-0077
Lake Region Water and Sewer Company	WR-2013-0461