

Exhibit No.: _____
Issue(s): ISRS Infrastructure
System Replacement Surcharge
Witness/Type of Exhibit: Robertson/Direct
Sponsoring Party: Public Counsel
Case No.: GO-2014-0006

DIRECT TESTIMONY
OF
TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

LIBERTY ENERGY (MIDSTATES) CORPORATION
D/B/A LIBERTY UTILITIES

CASE NO. GO-2014-0006

September 20, 2013

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Verified)
Application and Petition of Liberty)
Energy (Midstates) Corp. d/b/a Liberty) Case No. GO-2014-0006
Utilities to Change Its Infrastructure)
System Replacement Surcharge)

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am the Chief Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct 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.



Ted Robertson, C.P.A.
Chief Public Utility Accountant

Subscribed and sworn to me this 20th day of September 2013.



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



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

1 DIRECT TESTIMONY
2 OF
3 TED ROBERTSON

4
5 LIBERY UTILITIES
6 CASE NO. GO-2014-0006
7

8
9 I. INTRODUCTION

10 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

11 A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.
12

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

14 A. I am employed by the Missouri Office of the Public Counsel (OPC or Public Counsel) as
15 the Chief Public Utility Accountant.
16

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

18 A. My duties include all activities associated with the supervision and operation of the
19 regulatory accounting section of the OPC. I am also responsible for performing audits
20 and examinations of the books and records of public utilities operating within the state of
21 Missouri.
22

23 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER
24 QUALIFICATIONS.

25 A. I graduated in May, 1988, from Missouri State University in Springfield, Missouri, with a
26 Bachelor of Science Degree in Accounting. In November of 1988, I passed the Uniform

1 Certified Public Accountant Examination, and I obtained Certified Public Accountant
2 (CPA) certification from the state of Missouri in 1989. My CPA license number is
3 2004012798.

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

7 A. Yes. In addition to being employed by the Missouri Office of the Public Counsel since
8 July 1990, I have attended the NARUC Annual Regulatory Studies Program at Michigan
9 State University, and I have also participated in numerous training seminars relating to
10 this specific area of accounting study.

11
12 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC
13 SERVICE COMMISSION (COMMISSION OR MPSC)?

14 A. Yes, I have testified on numerous issues before this Commission. Please refer to
15 Schedule TJR-1, attached to this testimony, for a listing of cases in which I have
16 submitted testimony.

17
18 II. PURPOSE OF TESTIMONY

19 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

1 A. The purpose of this Direct Testimony is to address the Public Counsel's concern's
2 regarding Company's Application to change its Infrastructure System Replacement
3 Surcharge (ISRS) and the accounting support it provided Public Counsel to verify the
4 accuracy of the revenues requested. This testimony does not address Public Counsel's
5 legal arguments in opposition to the Application. All legal arguments will be addressed
6 in Public Counsel's post-hearing brief, and will include Public Counsel's arguments that:
7 (1) Liberty failed to file all required documents with its Application; (2) Liberty seeks to
8 include expenses in the ISRS that are not authorized by statute; and (3) The Commission
9 does not have the authority to approve the ISRS rate increase because more than three
10 years has passed since the Company's last rate case.

11
12 III. INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE

13 Q. WHAT IS THE ISSUE?

14 A. On July 2, 2013 Liberty Utilities (Liberty or Company) filed an Application requesting an
15 adjustment to its ISRS rate schedule that provides for the recovery of costs incurred in
16 connection with ISRS-eligible infrastructure system replacements made during the period
17 beginning June 1, 2012 through May 31, 2013. In support of its Application it also filed
18 several Appendices showing its calculation of additions, retirements, revenue
19 requirements, depreciation expense, deferred taxes, rate design, weighted cost of capital,

1 property taxes and tax rates. The Appendices identify costs of approximately 600
2 additions and 100 retirements associated with the request.

3
4 Public Counsel subsequently initiated a limited review of the Company's supporting
5 calculations and the documentation supporting those calculations. Due to the large
6 amount of additions and retirements upon which the Company's request is based, and
7 concerns over the types of projects included in the ISRS request, OPC requested a sample
8 of fifty (50) of the Company's project numbers to audit. The following testimony will
9 discuss OPC's concerns about the Company's supporting documentation and several
10 issues OPC found with the Company's overall calculations of the ISRS revenue. Though
11 the MPSC Staff's recommendation filed on September 3, 2013 was more focused on the
12 calculations supporting the Company's ISRS revenue request and identified numerous
13 errors in said calculations, OPC's review attempted to verify the accuracy and
14 reasonableness of the individual addition and retirement costs and also to "highlight"
15 several of the more obvious mistakes in the Company's calculation of the total ISRS
16 revenue.

17
18 Q. WHAT INFORMATION DID PUBLIC COUNSEL REQUEST FROM LIBERTY?

19 A. Public Counsel's initial Data Request 1 asked Liberty to: (1) Provide all work orders
20 associated with each of the fifty identified projects; (2) Identify the statutory subsection

1 under which the specific expenditure qualifies as a gas utility plant project (Subsection
2 393.1009(5)(a), (5)(b), or (5)(c)); and (3) Identify the safety requirement or relocation
3 being complied with, and explain how the expenditure was made to comply with that
4 safety requirement.

5
6
7 Q. DID THE COMPANY RESPOND TO PUBLIC COUNSEL'S REQUEST FOR THE
8 SUPPORTING DOCUMENTATION FOR THE FIFTY PROJECT NUMBERS IN THE
9 SAMPLE?

10 A. Yes, in part, but far from completely, or timely. Liberty's response to OPC's Data
11 Request 1 was due August 6, 2013, but Liberty provided an initial and incomplete
12 response on August 16, 2013. Liberty supplemented its response to OPC'S Data Request
13 1 on September 5, 2013.

14
15 Q. PLEASE DESCRIBE THE DOCUMENTATION THAT THE COMPANY PROVIDED.

16 A. Of the 50 project numbers requested from Liberty, by OPC, twenty-five (25) were Atmos
17 Energy Corporation (the former owner of the utility franchise) project numbers and
18 twenty-five (25) were Liberty project numbers. Company provided project number detail
19 sheets identifying aggregated costs for individual jobs performed by Liberty employees
20 along with some single source documents (SSD), for both Liberty specific and Atmos
21 Energy Corporation (Atmos) jobs, which identified the work performed, labor and

1 material utilized. No project number detail sheets were provided for costs associated with
2 the Atmos project numbers.

3
4 Q. DID THE DOCUMENTS PROVIDED VERIFY THE ACCURACY OF THE COSTS
5 ASSOCIATED WITH THE LIBERTY SPECIFIC PROJECT NUMBERS?

6 A. No. Public Counsel's review of the costs associated with the additions and retirements
7 identified the following problems that have resulted in or could result in the improper
8 calculation of the Application's identified rate base:

9
10 1. For nine (9) of the twenty-five (25) project numbers that were identified as work
11 that was performed by Liberty Utilities employees Company did not provide
12 documents that describe or support the work that was performed on the individual
13 jobs or the labor, equipment, and materials that were utilized.

14
15 2. For the remaining sixteen (16) project numbers most, if not all, failed to provide
16 all the supporting documentation that describes, in detail, the actual work that was
17 performed and the labor, equipment and materials that were utilized for each job.

18
19 3. Seven (7) of the Liberty specific project number documents (i.e., 8853-0401--
20 12004, 8853-0404-12011, 8853-0404-12012, 8853-0405-12011, 8854-0402-

1 12011, 8852-0401-13205, and 8853-0401-13206) included costs (i.e., \$916,173)
2 identified as a, "Balance forward from Atmos" for which no detail or any other
3 supporting documentation identifying the work done or support for the costs was
4 provided. Those costs represent 50.98% of the costs requested for the twenty-five
5 Liberty project numbers.

6
7 4. Two (2) of the project number documents (i.e., 8854-0402-13205 and 8852-0401-
8 13206) included costs (i.e., \$43,732) identified as, "(blank)" for which no detail or
9 any other supporting documentation was provided; however, in a discussion with
10 Ms. Tisha Sanderson, a Liberty accounting manager, she stated that the costs were
11 overhead, but my review observed that overhead is separately identified as such
12 on all the other Liberty work-orders, but not on these two. Those costs represent
13 2.43% of the costs requested for the twenty-five Liberty work-orders.

14
15 5. On one (1) of the project number documents (i.e., 8853-0403-13208) there are
16 summary costs for materials and overhead that do not balance to the detail also
17 shown on the work-order.

18
19 6. On several of the project number documents (i.e., 8852-0401-13204, 8852-0401-
20 13205, 8852-0401-13206 and 8853-0401-13206) overhead and other costs are

1 shown, but there are no labor costs identified. I believe it unlikely that a job
2 would have occurred requiring materials, but no labor was incurred. When I
3 asked Ms. Sanderson why the costs were not present she stated to me that that
4 would require an investigation of the employee's time cards.

5
6 7. For three (3) of the project number documents (i.e., 8852-0401-013205, 8854-
7 0402-13205 and 8853-0401-13206) Company provided SSD job documents
8 identifying work occurring in June and July of 2013 which is subsequent to the
9 May 2013 cutoff date of Company's request.

10
11 8. In some instances (i.e., project numbers 8852-0401-13108, 8854-0402-13210,
12 8854-0402-12011, 8854-0402-12005 and 8854-0400-12001) Company booked
13 job costs from a previous quarter in a subsequent quarter or vice versa. Because
14 of the way Company's processes for the allocation of overhead work this could
15 cause inappropriate amounts of overhead being booked to those project numbers
16 and/or property tax coding to incorrect balances.

17
18 9. On several of the project number documents (i.e., 8853-0404-12011, 8853-0404-
19 12012 and 8852-0401-13205) Company allocated overhead costs to the project
20 number even though the only other cost, or primary cost, included was a balance

1 carried forward from Atmos. Company's allocation process for overheads occurs
2 quarterly and is a pro-rata assignment based on an individual project number costs
3 compared to total costs of all project numbers. This occurs even though Liberty
4 itself performed no work related to the project and results in an incorrect
5 application of overhead to all project numbers further resulting in incorrect
6 balances assigned to plant balances.

- 7
- 8 10. In a follow-up email, dated September, 5, 2013, from Company's Director of
9 Regulatory & Government Affairs, Mr. Victor Edwards, he provided information
10 on two (2) of the twenty-five Liberty project number detail sheets (representing
11 12% of the twenty-five Liberty project numbers and 1.6% of their costs
12 requested), and he concluded that these projects should have been excluded
13 because they were inappropriately included in the Application request.
14 Extrapolation of the possibility of similar errors in the approximately 650 (i.e.,
15 Liberty and Atmos) project number documents not reviewed by Public Counsel
16 indicates that the ISRS revenues requested by Company are not an accurate
17 representation of what should be authorized.

18

1 Q. DOES PUBLIC COUNSEL HAVE SIMILAR CONCERNS WITH THE
2 INFORMATION PROVIDED TO SUPPORT THE ATMOS PROJECT NUMBER
3 COST DETAIL?

4 A. Yes. For seven (7) of the twenty-five (25) project numbers that were identified as work
5 that was performed by Atmos the Company did not provide any documents that describe
6 or support the work that was performed or the labor, equipment, overhead or materials
7 that were utilized. Of the remaining eighteen (18) most did not include supporting detail
8 documents to verify the accuracy of the Company's request. In fact, no costs were
9 included on the documentation that was provided so that even those documents cannot be
10 reconciled to the amounts requested by Liberty because we do not know if the documents
11 provided are complete. Lastly, in a followup email, dated September, 5, 2013, from
12 Company's Director of Regulatory & Government Affairs, Mr. Victor Edwards, he
13 provided information showing one (1) of the twenty-five Atmos project numbers
14 (representing 4% of the twenty-five Atmos project numbers and 1.4% of their costs
15 requested) should have been excluded because it was inappropriately included in the
16 Application request. As with the Liberty specific project number costs, extrapolation of
17 the possibility of similar errors in the project number documents not reviewed by Public
18 Counsel indicates that the ISRS revenues requested by Company are not an accurate
19 representation of what should be authorized.
20

1 Q. DID PUBLIC COUNSEL IDENTIFY OTHER PROBLEMS WITH LIBERTY'S
2 PROCESSES UTILIZED TO SUPPORT ITS ISRS REVENUE REQUEST?

3 A. Yes. For the purpose of assigning new construction property tax codes, Company
4 identifies the taxing areas where materials booked to each project number were utilized.
5 It then assigns a pro-rata share of all others costs, labor, overhead, etc., booked in the
6 project number to the individual taxing authorities. I believe that this process results in
7 incorrect plant assignment and property taxes being paid to each taxing authority which is
8 one aspect of the calculations utilized to arrive at the ISRS revenue to be recovered from
9 ratepayers. The only reason to allocate costs in such a manner is where the specific costs
10 (e.g., labor, equipment, etc.) cannot be identified, but Company has the ability to track
11 these costs and is failing to do so. For example, for each job whose costs are booked to a
12 specific project number both Atmos and Liberty employees prepared documents that
13 identify the work done by location (i.e., SSD documents which are documents prepared
14 by the workers which identify the actual work performed, labor and material utilized).
15 Although not all SSD provided to Public Counsel were filled in completely, some were,
16 and the documents have spaces identified where labor, equipment, materials utilized, etc.
17 are entered by the employee and reviewed by supervisors. Proper use of these documents
18 would prevent the misapplication of costs for property tax coding purposes.

19

1 Q. DID PUBLIC COUNSEL FIND OTHER ERRORS WITH COMPANY'S SUPPORTING
2 CALCULATIONS OF THE REQUESTED ISRS REVENUE?

3 A. Yes. For purposes of determining the total ISRS rate base Company calculated accrued
4 depreciation expense on new additions and retirements. Company calculated the
5 depreciation accruals out to the end of September 2013 (the approximate date that the
6 ISRS will be implemented); however, Company limited the accrual of the depreciation to
7 a maximum period of twelve (12) months. For plant that was in-service (or retired)
8 longer than 12 months no depreciation was calculated for the months in excess of 12 thus,
9 this limitation may cause the total depreciation reserve balance to be understated and the
10 Company's calculated total ISRS rate base to be overstated.

11
12 Q. DOES PUBLIC COUNSEL ALSO HAVE CONCERNS WITH COMPANY'S
13 SUPPORTING CALCULATIONS FOR THE ISRS RATE BASE-RELATED
14 DEFERRED TAXES OFFSET?

15 A. Yes. In determining Company's total ISRS rate base, Company's supporting calculations
16 truncate the determination of the deferred taxes offset as of the end of May 2013 for both
17 plant tax and book basis. This causes a mismatch with Company's other depreciation
18 expense calculations for the total ISRS rate base. That is, for the purpose of determining
19 the depreciation reserve balances to arrive at rate base net book value for the new
20 additions and retirements, Company accrued depreciation out through the end of

1 September 2013, but it did not do the same for the tax impact of depreciation timing
2 differences associated with the plant tax and book basis balances to derive the deferred
3 tax offset. Because the tax impact of depreciation for the deferred tax offset timing
4 differences was not recognized, for the period June through September 2013, the
5 Company's calculation of the deferred taxes offset results in a mismatch that affects the
6 final balance for the ISRS rate base.

7
8 Q. DOES PUBLIC COUNSEL ALSO HAVE CONCERNS WITH COMPANY'S
9 SUPPORTING CALCULATIONS FOR THE ADDITIONAL ANNUAL
10 DEPRECIATION EXPENSE INCLUDED IN THE ISRS REVENUES REQUESTED?

11 A. Yes. Company also includes an additional annual level of book depreciation expense,
12 and an annual level of property taxes, on additions and retirements to the total revenue
13 requirement on capital (rate base) to arrive at total ISRS revenues. Public Counsel
14 believes that there is a problem with the annual depreciation expense that was added
15 because it does not include an offset for associated deferred taxes. Since it is likely that
16 the plant book basis from which the annual depreciation expense is derived will be
17 different from that of the plant tax basis, a timing difference will occur and the tax effect
18 of that timing difference should be included as a deferred tax offset in the determination
19 of the total Company ISRS revenues subject to recovery.

20

1 Q. WHAT ADDITIONAL ATTEMPTS HAS OPC MADE TO BETTER UNDERSTAND
2 LIBERTY'S PRACTICES AND THE EXPENSES LIBERTY SEEKS TO RECOVER
3 THROUGH THE ISRS RATE?

4 A. In addition to Data Request 1, Public Counsel sent a number of additional data requests to
5 Liberty. Liberty provided answers to some of those requests, but responses are pending
6 for eleven (11) other data requests. In addition, I have had several phone conversations
7 and a conference call with Liberty employees in an attempt to better understand their
8 practices and the expenses they are claiming for ISRS recovery.

9
10 Furthermore, on September 9, 2013, I sent a written summary I prepared following a
11 phone conversation I had with Ms. Tisha Sanderson, a Liberty Accounting Manager, and I
12 asked if my description of our conversation was accurate (See Schedule TJR-2). Ms.
13 Sanderson replied on September 12, 2013 with an e-mail that stated, "I am in material
14 disagreement with your characterization of the issues we discussed. At this juncture since
15 we are in a formal proceeding we will not be providing further informal clarifications or
16 discussions at this time." Ms. Sanderson's e-mail did not explain why she disagreed with
17 my characterization, and she did not follow up with any additional explanations. I bring
18 this to the Commission's attention to highlight how Liberty's decision to close the door
19 on informal discussions makes it very difficult for consumers to verify Liberty's alleged
20 ISRS expenses. I should also mention that counsel for OPC attempted to shorten the

1 | timeframe for responding to data requests from twenty (20) days down to ten (10) days,
2 | but Liberty refused this request, thus preventing OPC from getting responses before the
3 | hearing regarding any data requests submitted after September 5, 2013.

4 |
5 | Q. WHAT ADDITIONAL INFORMATION DID PUBLIC COUNSEL REQUEST FROM
6 | LIBERTY THAT LIBERTY HAS NOT PROVIDED?

7 | A. The data requests that Liberty has not answered are attached as Schedule TJR-3.

8 |
9 | Q. HAS LIBERTY OBJECTED TO ANY PUBLIC COUNSEL DATA REQUEST?

10 | A. Yes. On September 6, 2013, OPC sent Data Request 6 to Liberty, which requested the
11 | following information:

12 |
13 | A number of the expenses that Liberty claims are eligible for ISRS include
14 | instances where a contractor hit a Liberty (or Atmos) pipe causing damage and
15 | requiring repair or replacement. In regards to all projects that Liberty now seeks to
16 | include in the ISRS in this case, please:

17 | (1) Identify every instance where damage requiring replacement or repair
18 | was the result of a contractor causing damage to infrastructure (please
19 | provide data on all projects included in this ISRS petition, not just the 50
20 | identified by OPC in its prior data request).

1 (2) Identify all compensation the company (Atmos and Liberty) received
2 from insurance and from other third parties in regards to the damaged
3 infrastructure.
4

5 On September 16, 2013, Liberty objected to Data Request 6 in a letter stating that Liberty
6 objects to Data Request 6 “because it seeks information or documents, or seeks to impose
7 obligations on Liberty Utilities, which exceed the requirements of Commission rules, or
8 any applicable laws, rules or procedures; the request is overly broad and unduly
9 burdensome; such discovery is vague, ambiguous, imprecise, and utilizes terms that are
10 subject to multiple interpretations but are not properly defined or explained for purposes
11 of the request.”
12

13 Q. WHY DID PUBLIC COUNSEL REQUEST INFORMATION FROM LIBERTY
14 REGARDING PIPE DAMAGE INCIDENTS AND ANY INSURANCE
15 REIMBURSEMENTS THAT RESULTED FROM THE DAMAGE?

16 A. Public Counsel requested this information because Liberty seeks to include expenses that
17 OPC believes are not authorized by the statute, and because Liberty could have been
18 compensated by insurance proceeds or by the contractor that damaged the facility, which
19 would lead to double recovery by Liberty if these same amounts are included in the ISRS.
20

1 Q. PLEASE SUMMARIZE.

2 A. In order to determine whether or not Company's request for an increase to its ISRS rate was
3 reasonable and appropriate Public Counsel requested supporting documentation for a
4 sample of 50 project numbers identified in Company's Application. Company's response to
5 Public Counsel's request was significantly incomplete, untimely, and did not allow for the
6 verification of the Company's requested ISRS revenues. It did, however, identify costs that
7 should be excluded and processes utilized by Company which results in incorrect plant cost
8 assignments and incorrect ISRS calculations.

9
10 Public Counsel could have simply checked the Company's ISRS calculations included in its
11 Application, but we believe that the base costs of the plant additions and retirements are the
12 source from which all other ISRS calculations flow, and those plant costs should be as
13 accurate as possible before the ISRS calculations begin. Public Counsel has identified,
14 where we could from the limited information provided from Company's incomplete
15 response to OPC data requests, errors and process which show those base numbers to be
16 incorrect and in need of revision. Our analysis was based only on a sample of 50 project
17 numbers, but there is a need for those costs, and the costs in the approximately 650 other
18 project numbers for which support was not requested, to be reviewed in-depth by the
19 Company to correct errors and misapplication of costs before the new ISRS is authorized.

20

1 | Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 | A. Yes, it does.

**CASE PARTICIPATION
OF
TED ROBERTSON**

Company Name	Case No.
Missouri Public Service Company	GR-90-198
United Telephone Company of Missouri	TR-90-273
Choctaw Telephone Company	TR-91-86
Missouri Cities Water Company	WR-91-172
United Cities Gas Company	GR-91-249
St. Louis County Water Company	WR-91-361
Missouri Cities Water Company	WR-92-207
Imperial Utility Corporation	SR-92-290
Expanded Calling Scopes	TO-92-306
United Cities Gas Company	GR-93-47
Missouri Public Service Company	GR-93-172
Southwestern Bell Telephone Company	TO-93-192
Missouri-American Water Company	WR-93-212
Southwestern Bell Telephone Company	TC-93-224
Imperial Utility Corporation	SR-94-16
St. Joseph Light & Power Company	ER-94-163
Raytown Water Company	WR-94-211
Capital City Water Company	WR-94-297
Raytown Water Company	WR-94-300
St. Louis County Water Company	WR-95-145
United Cities Gas Company	GR-95-160
Missouri-American Water Company	WR-95-205
Laclede Gas Company	GR-96-193
Imperial Utility Corporation	SC-96-427
Missouri Gas Energy	GR-96-285
Union Electric Company	EO-96-14
Union Electric Company	EM-96-149
Missouri-American Water Company	WR-97-237
St. Louis County Water Company	WR-97-382
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
United Water Missouri Inc.	WR-99-326
Laclede Gas Company	GR-99-315
Missouri Gas Energy	GO-99-258
Missouri-American Water Company	WM-2000-222
Atmos Energy Corporation	WM-2000-312
UtiliCorp/St. Joseph Merger	EM-2000-292
UtiliCorp/Empire Merger	EM-2000-369
Union Electric Company	GR-2000-512
St. Louis County Water Company	WR-2000-844
Missouri Gas Energy	GR-2001-292
UtiliCorp United, Inc.	ER-2001-672
Union Electric Company	EC-2002-1
Empire District Electric Company	ER-2002-424

**CASE PARTICIPATION
OF
TED ROBERTSON**

Company Name	Case No.
Missouri Gas Energy	GM-2003-0238
Aquila Inc.	EF-2003-0465
Aquila Inc.	ER-2004-0034
Empire District Electric Company	ER-2004-0570
Aquila Inc.	EO-2005-0156
Aquila, Inc.	ER-2005-0436
Hickory Hills Water & Sewer Company	WR-2006-0250
Empire District Electric Company	ER-2006-0315
Central Jefferson County Utilities	WC-2007-0038
Missouri Gas Energy	GR-2006-0422
Central Jefferson County Utilities	SO-2007-0071
Aquila, Inc.	ER-2007-0004
Laclede Gas Company	GR-2007-0208
Kansas City Power & Light Company	ER-2007-0291
Missouri Gas Utility, Inc.	GR-2008-0060
Empire District Electric Company	ER-2008-0093
Missouri Gas Energy	GU-2007-0480
Stoddard County Sewer Company	SO-2008-0289
Missouri-American Water Company	WR-2008-0311
Union Electric Company	ER-2008-0318
Aquila, Inc., d/b/a KCPL GMOC	ER-2009-0090
Missouri Gas Energy	GR-2009-0355
Empire District Gas Company	GR-2009-0434
Lake Region Water & Sewer Company	SR-2010-0110
Lake Region Water & Sewer Company	WR-2010-0111
Missouri-American Water Company	WR-2010-0131
Kansas City Power & Light Company	ER-2010-0355
Kansas City Power & Light Company	ER-2010-0356
Timber Creek Sewer Company	SR-2010-0320
Empire District Electric Company	ER-2011-0004
Union Electric Company, d/b/a AmerenUE	ER-2011-0028
Missouri-American Water Company	WR-2011-0337
Union Electric Company, d/b/a AmerenMO	EU-2012-0027
Missouri-American Water Company	WA-2012-0066
Union Electric Company, d/b/a AmerenMO	ER-2012-0166
Laclede Gas Company	GO-2012-0363
Kansas City Power & Light Company	ER-2012-0174
Kansas City Power & Light Company GMOC	ER-2012-0175
Empire District Electric Company	ER-2012-0345
Emerald Pointe Utility Company, Inc.	SR-2013-0016
Liberty Utilities	GO-2014-0006

Liberty Utilities
Case No. GO-2014-0006
September 9, 2013

Tisha,

The following are notes I prepared concerning our phone discussion on the 9th regarding the Project Number Detail and SSDs provided to OPC by Company. Please review them and let me know if I have accurately documented the items and processes we discussed. If I misstated something or erred in my understanding, please correct the language and return the corrected document to me.

Thanks,

Ted Robertson

Discussion Items:

1. Employee time cards, vendor invoices and Company's capitalization process for overheads are the source documents utilized to record costs to project numbers which are closed out quarterly.
2. All overhead cost types (i.e., corporate overhead, business entity overhead, overhead, blank) are assigned to each project number detail by a pro-rata allocation of total overhead. The allocation is based on the individual project number costs when compared total project number costs for a quarter. For example, project number 1 cost is x percent of all project number costs for a quarter so x percent of overhead is assigned to project number 1. Company utilizes an overhead report and a transaction by project report, both prepared quarterly, to accomplish the allocation.
3. As discussed with Ms. Sanderson, costs for individual jobs within a project number, with the exception of possibly labor costs, cannot be extrapolated from the SSDs; however, the SSDs are the only documents provided that actually describe the work that was done on each separate job.
4. SSDs are used to identify the specific geographic area (i.e., town, etc.) in which actual job occurred for property tax code assignment, but SSDs are not used as source documents to assign costs to a project number.
5. SSDs are also used to identify the plant account to which costs are assigned for booking purposes.
6. Company reviews the SSDs to identify job areas and then assigns all job costs for each area as shown on the project number detail to the SSD identified plant account. For example, costs assigned to a project number are allocated to a specific geographic area for property tax coding and booking purposes based on material costs. The pro-rata share

of material costs for each specific area listed on the project number detail is identified by going back to the SSD and seeing what vendor invoice ties to job in a specific area and then an equal share of all other costs on the project number detail are assigned equally to that area. Actual costs such as labor, overhead, etc. are not necessarily assigned to the specific areas that the job actually occurred. All costs follow the material pro-rata determination.

7. As discussed with Ms. Sanderson, not all SSDs were provided that support the detail shown in individual project number detail provided to OPC (i.e., most were missing at least some if not all of the SSD information). In fact, in the case of several Atmos identified project numbers (i.e., 50. and 60. numbering) no SSDs, or other cost support, at all was provided. Also, on several of the Liberty project number detail a, "balance forward from Atmos, ' is identified, but no supporting detail was included in the project number detail listed nor were SSDs, or any other cost support, provided.
8. As discussed with Ms. Sanderson, Company uses vendor, McJunkin, which is not affiliated with Liberty, as a perpetual inventory supplier. Project supervisors are responsible for identifying on McJunkin, and other vendor invoices, the project number to which the costs are to be assigned. Liberty itself maintains little to no material inventory (possibly small dollar items).
9. The document date on the project number detail is the employee time card, invoice and overhead assignment date.
10. The transaction date on the project number detail is the employee payroll and invoice payment date, and overhead assignment date.
11. As discussed with Ms. Sanderson, Company may not have the detail cost support for the, "Balance forward from Atmos," amounts shown on the individual project number detail provided by Company to OPC.
12. As discussed with Ms. Sanderson, project number 8853-0403-13208 is out of balance.
13. As discussed with Ms. Sanderson, several of the project number detail sheets, where work was not done by outside contractors, included material and overhead costs, but no labor costs. Where the labor costs were booked requires investigation.
14. As discussed with Ms. Sanderson, several of the project number detail sheets included costs for a prior quarter (e.g., 2012 costs in 1st quarter of 2013) that appear should have been closed out in the earlier quarter. These costs and the reason for the carry-over requires investigation.
15. As discussed with Ms. Sanderson, several of the project number detail sheets include overhead costs assigned to a project where only a, "Balance forward from Atmos," is identified. Why Liberty overhead costs were assigned to work Liberty did not do requires investigation.

16. As discussed with Ms. Sanderson, labor costs are shown on the project number detail; however, where the labor is shown as "removal" there does not appear to be any offsetting or removal of material costs that were retired. Why material retires are not shown requires investigation.

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Regarding the Company's response to OPC DR No. 1, the response did not provide copies of all single source documents (SSD), or similar work-order documents, booked to each project number detail provided in Victor's September 5, 2013 followup email. Please provide copies of all SSD, or similar work-order documents, not already provided that tie to the actual detail costs shown on each project number detail sheet provided. This includes all Company specific project number detail costs and includes also costs referenced as being a balance carried forward from Atmos, but for which no detail is shown, on the Company specific project number detail.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

Date Received: _____ Received By: _____

Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Regarding the Company's response to OPC DR No. 1, the response did not provide copies of all single source documents (SSD), or similar work-order documents, booked to each project referenced as an Atmos specific project number. Please provide copies of all SSD, or similar work-order documents, not already provided that tie to the actual total cost shown for each Atmos specific project number.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

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Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Please confirm my understanding that costs for individual jobs within a project number, with the exception of possibly labor costs, cannot be extrapolated from the single source document (SSD); however, the SSD are the only documents provided in response to OPC DR No. 1 that actually describe, in detail, the work that was done on each separate job. If this is not accurate, please explain why it is not.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

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Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Referencing OPC questions from 9/3/2013 meeting and Victor Edwards 9/5/2013 email response to question 1(g), Company apparently believes leak repairs should be capitalized as a "betterment" for it prolongs an asset's life. However, my understanding of GAAP is that a betterment or improvement constitutes the removal of a major part or component of plant or equipment and the substitution of a different part or component having significantly improved and superior performance capabilities that increase the overall efficiency of the asset and increase the useful life of the asset. Please explain how Company justifies capitalizing or classifying as a betterment a simple leak repair that requires only the installation of a patch or compression clamp or similar fix with the aforementioned accounting definition of a betterment?

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

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Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Referencing OPC questions from 9/3/2013 meeting and Victor Edwards 9/5/2013 email response to question 1(g), Company apparently believes leak repairs should be capitalized a "betterment" for it prolongs an asset's life. Please identify by project number and total cost each leak repair job included in the sample of 50 project numbers detail provided to OPC (not all SSDs have been provided to OPC) and also those included in the Applications remaining project numbers detail not provided to OPC.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

Date Received: _____ Received By: _____

Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: For the Liberty specific project number detail sheets provided to OPC, please provide copies of all quarterly overhead reports and transaction by project reports utilized by Liberty to determine the allocation of each overhead cost allocated to the individual project numbers. Include also all applicable calculations and workpapers.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

Date Received: _____ Received By: _____

Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Regarding the Company's response to OPC DR No. 1, the response provided a project number detail sheet, i.e., 8853-0403-1308, that does not balance. Please explain, in detail, the reason that the detail amounts do not balance to the summary costs.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

Date Received: _____ Received By: _____

Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Regarding the Company's response to OPC DR No. 1, the response provided several project number detail sheets which included material and overhead costs, but no labor costs (i.e., where work was not done by outside contractors). Please explain, in detail, why no labor costs were assigned to each of the applicable project number detail sheets even though labor was incurred. Furthermore, please provide a listing identifying all project numbers included in the Company's Application (that is, those not already provided to OPC) where labor costs were not included in the project number detail.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

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Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Regarding the Company's response to OPC DR No. 1, the response provided project number detail sheets which included costs incurred for a prior quarter that should have been closed out in the earlier quarter (e.g., 2012 costs included in 1st quarter of 2013 detail). Please explain, in detail, why the prior quarter costs were assigned to each of the applicable project number detail sheets. Furthermore, please provide a listing identifying all project numbers included in the Company's Application (that is, those not already provided to OPC) where costs incurred in a prior quarter were included in the project number detail of a subsequent quarter.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

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Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Regarding the Company's response to OPC DR No. 1, the response provided project number detail sheets which included overhead costs assigned to a project where only a, "Balance forward from Atmos," cost is identified. Please explain, in detail, why Liberty overhead costs were assigned to work Liberty did not do. Furthermore, please provide a listing identifying all project numbers included in the Company's Application (that is, those not already provided to OPC) where only a, "Balance forward from Atmos," cost is identified and Liberty overhead costs were assigned to it.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

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Prepared By: _____

**OFFICE OF THE PUBLIC COUNSEL
DATA REQUEST**

**LIBERTY UTILITIES
CASE NO. GO-2014-0006**

Requested From: Victor Edwards

Requested By: Ted Robertson

Date Requested: September 12, 2013

Information Requested: Regarding the Company's response to OPC DR No. 1, the response provided project number detail sheets which included labor removal costs; however, it is my understanding of GAAP and Commission rules that plant retirement costs are not treated as an addition to a plant account, but instead are to be booked as a reduction to the associated depreciation reserve accounts. In addition, where the labor is shown as "removal" there does not appear to be any offsetting or removal of material costs associated with the labor that were retired. Please explain, in detail, if and why Company is treating the retirement labor costs as an addition to plant and why no material retirement costs are included in the detail even though labor associated with the materials retirement is. Furthermore, please explain, in detail, how and where the material retirement costs are being booked. Lastly, please provide a listing identifying all project numbers included in the Company's Application (that is, those not already provided to OPC) where labor removal costs are booked as an addition to plant.

Response Provided:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

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Prepared By: _____