

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

In the Matter of the Revenue Effects Upon)
Small Water and Sewer Utilities of the) File No. AW-2018-0237
Tax Cuts and Jobs Act of 2017)

RESPONSE TO ORDER

COMES NOW Liberty Utilities (Missouri Water) LLC (the “Utility”) and, in response to the *Order Opening a Working Proceeding Regarding the Effects Upon Missouri Small Water and Sewer Utilities of the Tax Cuts of 2017 and Directing Response* (“Order Directing Response”) issued herein by the Missouri Public Service Commission (“Commission”) on March 7, 2018, respectfully states as follows:

On March 1, 2018, the Staff of the Commission (“Staff”) filed a motion asking the Commission to open a proceeding to investigate the effect recent federal tax cut legislation will have on the revenues of Missouri’s small water and sewer utilities and asked that the Commission direct the small utilities to respond in fifteen days to certain questions. The questions contained in Staff’s March 1 filing were incorporated into the Commission’s Order Directing Response. Those questions and the Utility’s responses are set forth below.

Question 1: For purposes of payment of income tax, is your company: (a) a C Corporation; (b) a Subchapter S Corporation; (c) a Limited Liability Corporation; (d) a Partnership; or (e) Other?

Utility’s Response:

The Utility is a Limited Liability Corporation.

Question 2: If you know, does your company currently collect income tax expense in customer rates? If so, how much?

Utility’s Response:

The customer rates associated with Rate Case Dockets WR-2010-0345 and WR-06-425 include a 15% federal corporate income tax rate as a portion of their revenue requirements. The

Customer rates associated with Rate Case Docket WR-2009-0395 do not include federal corporate income tax as a portion of its revenue requirement.

Question 3: Have you or your financial advisors or consultants performed any analysis of the likely impact of the Tax Cuts and Jobs Act of 2017 on your cost of service and customer rates? If so, please provide such analysis.

Utility's Response:

The Utility, along with its affiliates, The Empire District Electric Company, The Empire District Gas Company, and Liberty Utilities (Midstates Natural Gas) Corp., participated in the working docket regarding “the effect on Missouri utilities and ratepayers of a tax reform now being enacted by the Congress of the United States,” File No. AW-2018-0174, and filed a Response to Order in File No. AW-2018-0174 on January 31, 2018. As stated therein, the companies believe cost savings from the Tax Cuts and Jobs Acts of 2017 (the “Act”) should, and ultimately will, be passed on to utility customers.

As outlined in the Utility's response to question 2 above, the rates currently in effect for its customers contain either 0% or 15% federal corporate income taxes, which is lower than the flat 21% federal corporate income tax mandated within the Act. The Utility is still evaluating the impact the Act may ultimately have on customer rates in its current rate case. The Utility looks forward to participating in its pending rate case and/or this new working docket to ensure that its customers receive the appropriate benefit of any cost savings resulting from the Act.

Question 4: Generally speaking, when do you expect your company to seek a change in customer rates from the Commission?

Utility's Response:

The Utility initiated a small company rate case by letter dated December 15, 2017 (File Nos. WR-2018-0170 and SR-2018-0171). The Utility's rate increase request remains pending.

WHEREFORE, Liberty Utilities (Missouri Water) LLC respectfully submits these responses to the Commission's Order Directing Response and requests such relief as is just and proper under the circumstances.

Respectfully submitted,

BRYDON, SWEARENGEN & ENGLAND, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that the above and foregoing document was filed in EFIS on this 22nd day of March, 2018, with notice of the same being sent to all counsel of record.

Diana C. Carter