

<b>Exhibit No.:</b>	_____
<b>Issue(s):</b>	Pensions and OPEBs Expense / Incentive Compensation / Revenues
<b>Witness/Type of Exhibit:</b>	Roth/Surrebuttal/ True-Up Direct
<b>Sponsoring Party:</b>	Public Counsel
<b>Case No.:</b>	GR-2018-0013

**SURREBUTTAL/TRUE-UP DIRECT TESTIMONY**

**OF**

**KERI ROTH**

Submitted on Behalf of the Office of the Public Counsel

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

FILE NO. GR-2018-0013

May 9, 2018

**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	)	File No. GR-2018-0013
to Implement a General Rate Increase for	)	
Natural Gas Service in the Missouri Service	)	
Areas of the Company	)	

**AFFIDAVIT OF KERI ROTH**

STATE OF MISSOURI )  
 ) ss  
 COUNTY OF COLE )

Keri Roth, of lawful age and being first duly sworn, deposes and states:


1. My name is Keri Roth. I am a Public Utility Accountant III for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal/true-up 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.

  
 \_\_\_\_\_  
 Keri Roth  
 Public Utility Accountant III

Subscribed and sworn to me this 9<sup>th</sup> day of May 2018.



JERENE A. BUCKMAN  
 My Commission Expires  
 August 23, 2021  
 Cole County  
 Commission #13754037

  
 \_\_\_\_\_  
 Jerene A. Buckman  
 Notary Public

My Commission expires August 23, 2021.

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**SURREBUTTAL/TRUE-UP DIRECT TESTIMONY**

**OF**

**KERI ROTH**

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

**CASE NO. GR-2018-0013**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Keri Roth, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

4 **Q. Are you the same Keri Roth who has filed rebuttal testimony on behalf of the Office of**  
5 **the Public Counsel (“OPC”) in this case?**

6 A. Yes.

7 **Q. What is the purpose of your surrebuttal/true-up direct testimony?**

8 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony and true-up  
9 direct testimony of Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities  
10 (“Liberty Utilities” or “Company”) witnesses Mr. James A. Fallert, Ms. Jill Schwartz, and  
11 Mr. Charles Evans, regarding pension and other post-employment benefits (“OPEBs”) and  
12 incentive compensation.

13 **II. PENSION AND OPEBS**

14 **Q. Has Liberty Utilities offered testimony as to the balance of a regulatory asset or liability**  
15 **to be included in its rate base for pensions and OPEBs in the current case?**

16 A. Yes, Mr. James A. Fallert provided rebuttal testimony and Mr. Charles Evans provided true-  
17 up direct testimony.

1 **Q. What was OPC's position in rebuttal testimony regarding this issue?**

2 A. Since the Company's data, provided in response to OPC data request 1101, did not appear to  
3 compare the difference between what customers have paid in rates and what actual  
4 contributions payments have been made to either fund, as agreed to in the Stipulation in case  
5 numbered GR-2014-0152, OPC proposed no regulatory asset/liability be included in rate base  
6 in the current case until the appropriate data was provided. Also, the Company made no  
7 proposal of a regulatory asset/liability be included in rate base.

8 **Q. Has OPC's position changed since reviewing the updated testimony provided by Liberty**  
9 **Utilities?**

10 A. Yes. The Company has provided updated information in its rebuttal testimony, which includes  
11 a proposed calculation of a regulatory asset to be included in rate base.

12 **Q. What is Liberty Utilities proposed regulatory asset balance for pension and OPEBs to**  
13 **be included in rate base?**

14 A. In rebuttal testimony, Company witness Mr. Fallert, is sponsoring regulatory asset balances  
15 of \$788,502 for pensions and \$533,372 for OPEBs to be included in rate base.<sup>1</sup> However, in  
16 the excel workpaper provided to OPC, titled WP-ADJ1 Pension-OPEB Rebuttal True UP, on  
17 the Tracker Balance tab, the Company has calculated a pension regulatory asset of \$122,143  
18 and an OPEB regulatory asset of \$333,011, as of December 31, 2017. See attached Schedule  
19 KNR-S-1 attached to this testimony.

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<sup>1</sup> Liberty Utilities witness Mr. James A. Fallert, rebuttal testimony, page 10, lines 10 – 12, and Schedules JF-R2 and JF-R3.

1 **Q. Which regulatory asset balances, sponsored by Liberty Utilities, does OPC believe are**  
2 **accurate?**

3 A. OPC is still reviewing the data provided by Liberty and will update its response in True-Up  
4 Rebuttal testimony once additional data request responses have been received.

5 **Q. Has Liberty Utilities updated its adjustment for pension and OPEBs expense for true-**  
6 **up?**

7 A. Yes. Mr. Evans provided true-up direct testimony providing updates to pension and OPEBs  
8 expense based on 2018 projection data.

9 **Q. What is Liberty Utilities updated recommendation regarding pension and OPEBs**  
10 **expense in the current case?**

11 A. Liberty Utilities witness Mr. Evans sponsors true-up schedules filed with his true-up direct  
12 testimony showing the Company requesting a decrease of \$14,094 in pension expense and an  
13 increase of \$292,119 in OPEBs expense, with a total pensions and OPEBs expense adjustment  
14 of \$278,025.<sup>2</sup>

15 **Q. Are the adjustments proposed by Liberty Utilities based on actual data or estimated**  
16 **projections?**

17 A. The adjustments are based on 2018 projections.

18 **Q. Does OPC agree with the true-up adjustments proposed by Liberty Utilities?**

19 A. No. OPC proposes to use actual known 2017 data recently developed Liberty Utilities  
20 retirement plan. By using 2017 actuarial data, OPC proposes an increase of \$67,779 in

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<sup>2</sup> Liberty Utilities Revenue Requirement True-Up Period Schedules

1 pension expense and an increase of \$140,868 in OPEBs expense, with a total pensions and  
2 OPEBs expense adjustment of \$208,647.

3 **Q. Why is OPC's proposal reasonable?**

4 A. OPC's proposal captures the most recent, actually known data, from Liberty Utilities 2017  
5 actuarial report for its pension and OPEBs plan. The data was recently provided as an update  
6 to Staff data request 74 on April 20, 2018. By using actual data, customers have the most  
7 accurate and reliable costs included in the cost of service to calculate customer rates.

8 **III. INCENTIVE COMPENSATION**

9 **Q. Is Liberty Utilities under the impression that Staff is reversing an adjustment made to**  
10 **incentive compensation in its Direct Cost of Service Report?**

11 A. Yes. Ms. Schwartz explains in her rebuttal testimony, Staff has indicated its intention to  
12 withdraw its adjustments related to financial or earnings-related incentive compensation paid  
13 to union employees participating in the Company's VVP Program.<sup>3</sup>

14 **Q. Did OPC support Staff's adjustments made in its Direct Cost of Service Report?**

15 A. Yes, this is shown in my rebuttal testimony.

16 **Q. Did Staff produce rebuttal testimony verifying Ms. Schwartz's claim previously**  
17 **mentioned?**

18 A. Not at this time. However, OPC would be supportive of removing the adjustment related to  
19 financial or earnings-related incentive compensation paid to union employees participating in  
20 the Company's VVP program, due to the nature of the union contract.

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<sup>3</sup> Liberty Utilities witness Ms. Jill Schwartz, rebuttal testimony, page 20, lines 11 - 13

1 **IV. REVENUES**

2 **Q. Has Liberty Utilities provided an update for revenues in its true-up direct testimony?**

3 A. No. Mr. Evans explains in his true-up direct testimony the Company has reflected its  
4 operating revenues as of December 31, 2017 and no additional modifications have been made,  
5 other than those adjustments proposed by Staff's direct testimony and accepted by the  
6 Company in its rebuttal testimony.<sup>4</sup>

7 **Q. Does OPC possibly have concerns updating other components of the cost of service**  
8 **through March 31, 2018 and leaving revenues as of December 31, 2017?**

9 A. Yes. OPC is still reviewing this issue and reserves its right to respond in true-up rebuttal  
10 testimony.

11 **Q. Does this conclude your surrebuttal/true-up direct testimony?**

12 A. Yes.

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<sup>4</sup> Liberty Utilities witness Mr. Charles Evans, true-up direct testimony, page 6, lines 1 - 4



Estimate of Pension Tracker:  
Partial Year (Months)

12 3

Pension:					TOTAL
	2015	2016	2017	2018	
Total Exp per Actuarial Reports	309,285.00	369,898.00	349,891.00	19,535.00	
Exp %	57.00%	57.00%	57.00%	-	
MO Portion	65.14%	66.36%	65.85%	65.64%	
Actual MO Exp	114,836.90	139,914.66	131,329.84	12,822.77	
Allowed in Rates	154,350.00	154,350.00	154,350.00	38,587.50	
Multiplied by Expense Portion 57%	87,979.50	87,979.50	87,979.50	21,994.88	
Pension Tracker Asset/(Liab)	26,857.40	51,935.16	43,350.34	(9,172.10)	112,970.80

OPEB:					TOTAL
	2015	2016	2017	2018	
Total Exp per Actuarial Reports	1,133,138.00	1,000,527.00	917,781.00	184,718.50	
Exp %	57.00%	57.00%	57.00%	-	
MO Portion	65.14%	66.36%	65.85%	65.64%	
Actual MO Exp	420,731.87	378,451.34	344,484.51	121,249.23	
Allowed in Rates	474,068.00	474,068.00	474,068.00	118,517.00	
Multiplied by Expense Portion 57%	270,218.76	270,218.76	270,218.76	67,554.69	
Pension Tracker Asset/(Liab)	150,513.11	108,232.58	74,265.75	53,694.54	386,705.98
Estimated Asset (Liability)					499,676.77

Pension cost for 2018

Service Cost	502,000
Interest Cost	397,000
EROA	(594,000)
Amort. Of Prior Service Cost	(11,000)
Total	294,000
Less:	
Capitalization (SC) 43%	(215,860)
Total Company Expense	78,140

OPEB cost for 2018

Service Cost	777,493
Interest Cost	451,990
EROA	(214,076)
Amort. Of Prior Service Cost	57,789
Total	1,073,196
Less:	
Capitalization (SC) 43%	(334,322)
Total Company Expense	738,874

**Note:** The MidStates pension and OPEB trackers were recorded in the same regulatory asset account. This calculation presents the split of that balance between the two trackers.