

Exhibit No.:
Issue: Pension and OPEB Expenses
Witness: Jeffery P. Lee
Type of Exhibit: Direct Testimony
Sponsoring Party: Liberty Utilities
(Midstates Natural Gas) Corp.
d/b/a Liberty Utilities
Case No.: GR-2018-0013
Date Testimony Prepared: September 21, 2017

**Before the Public Service Commission
of the State of Missouri**

Direct Testimony

of

Jeffery P. Lee

On behalf of

**Liberty Utilities (Midstates Natural Gas) Corp.
d/b/a Liberty Utilities**

September 2017



DIRECT TESTIMONY
OF
JEFFERY P. LEE
LIBERTY UTILITIES
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. GR-2018-0013

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jeffery P. Lee. My business address is 602 S. Joplin Avenue, Joplin,
4 Missouri, 64801.

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

6 A. I am employed by Liberty Utilities Services Corp. as the Director of Accounting &
7 Administration for Liberty Utilities Central Region, which includes Liberty Utilities
8 (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty Utilities” or
9 “Company”).

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
11 **BACKGROUND.**

12 A. I received a Bachelor of Business Administration degree in management from
13 Pittsburg State University, Pittsburg, Kansas, in 2002 and a Masters of Business
14 Administration degree from Pittsburg State University, Pittsburg, Kansas, in 2007. I
15 was employed as a staff auditor with BKD, LLP from 2007 until late 2008 when I
16 joined Empire. I have been a licensed Certified Public Accountant (“CPA”) in the
17 state of Missouri since 2008.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN A PROCEEDING BEFORE THE**
19 **MISSOURI PUBLIC SERVICE COMMISSION OR BEFORE ANY OTHER**
20 **UTILITY REGULATORY AGENCY?**

1 A. Yes. Most recently I have provided testimony on behalf of The Empire District
2 Electric Company in Case No. ER-2016-0023. I have also provided testimony in
3 proceedings in Arkansas, Kansas, and Oklahoma.

4 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

5 A. The purpose of my direct testimony is to support the Company's request for the
6 amount of Pension and Other Post-Employment Benefits ("OPEB") costs included in
7 the revenue requirement for this case before the Missouri Public Service Commission
8 ("Commission") and the continuation of the pension and OPEB tracker as ordered in
9 Commission Case No. GR-2014-0152.

10 **PENSION AND OPEB EXPENSES**

11 **Q. WHY IS IT IMPORTANT FOR THE COMPANY TO HAVE A TRACKER**
12 **MECHANISM FOR PENSION AND OPEB COSTS?**

13 A. In accordance with the Order Approving Partial Stipulation and Agreement issued by
14 the Commission in the last general rate case, the Company tracks its reasonably and
15 prudently incurred pension and OPEB costs to ensure exact recovery of costs. It is
16 assumed that the amount set in rates in the last rate case is the exact amount collected
17 by the Company, and the amount of amortizations are also the exact amounts
18 collected by the Company or credited to customers. Amounts recovered in rates that
19 are more than actual payments creates an overfunding by customers and shall be
20 returned to customers in a subsequent ratemaking process. Amounts recovered in
21 rates that are less than actual payments creates an underfunding by customers and
22 shall be recovered by the Company in a subsequent ratemaking process.

23 **Q. WHAT AMOUNT OF PENSION EXPENSE IS LIBERTY UTILITIES**
24 **REQUESTING IN THIS CASE?**

1 A. At this time, the Company is requesting total annual Missouri pension expense of
2 \$154,358, which represents an increase of \$66,379 to the amounts recovered in rates
3 per GR-2014-0152. This total includes actuarially determined expense of \$133,998
4 and five-year tracker amortization of \$20,360 for the pension plan.

5 **Q. WHAT AMOUNT OF OPEB EXPENSE IS THE COMPANY REQUESTING**
6 **IN THIS CASE?**

7 A. At this time, the Company is requesting total annual Missouri OPEB expense of
8 \$405,233, which represents an increase of \$135,014 to the amounts recovered in rates
9 per GR-2014-0152. This total includes actuarially determined expense of \$345,914
10 and five-year tracker amortization of \$59,319.

11 **Q. ARE THESE THE FINAL EXPENSES FOR BOTH PENSION AND OPEB**
12 **(“ASC 715”) COSTS FOR 2017?**

13 A. No. The 2017 actuarial valuation of the plans, which provides the cost, is not yet
14 complete. The amounts set forth above represent the actuary’s estimate of the final
15 amounts.

16 **Q. WILL UPDATED EXPENSE AMOUNTS BE AVAILABLE FOR A TRUE-UP**
17 **IN THIS CASE?**

18 A. Yes. The final 2017 annual expense will be known once the actuarial valuation is
19 completed in early 2018, and will be provided to Staff for inclusion in Staff’s updated
20 case.

21 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

22 A. Yes, it does.

AFFIDAVIT OF JEFFERY P. LEE

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)


On the 21 day of September, 2017, before me appeared Jeffery P. Lee, to me personally known, who, being by me first duly sworn, states that he the Director of Accounting & Administration of Liberty Utilities – Central Region and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



Jeffery P. Lee

Subscribed and sworn to before me this 21 day of September, 2017.

ANGELA M. CLOVEN
Notary Public - Notary Seal
State of Missouri
Commissioned for Jasper County
My Commission Expires: November 01, 2019
Commission Number: 15262659



Notary Public

My commission expires: 11/01/2019