

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Rate Case Expense/
Management Expense
Conner/Surrebuttal
True-Up Direct
Public Counsel
GR-2018-0013

SURREBUTTAL/TRUE-UP DIRECT TESTIMONY

OF

AMANDA C. CONNER

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 AMANDA C. CONNER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Amanda C. Conner, of lawful age and being first duly sworn, deposes and states:


1. My name is Amanda C. Conner. 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 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.


Amanda C. Conner
Public Utility Accountant I

Subscribed and sworn to me this 9th 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 TESTIMONY
&
TRUE-UP DIRECT TESTIMONY**

OF

AMANDA C CONNER

**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. Amanda C. Conner, PO Box 2230, Jefferson City, Missouri 65102.

4 **Q. Are you the same Amanda Conner who filed direct testimony in this case?**

5 A. Yes.

6 **Q. What is the purpose of this surrebuttal testimony?**

7 A. The purpose of this surrebuttal testimony is to respond to the direct testimony of Liberty
8 Utilities (“Liberty”) on rate case expense and to update Management Expenses.

9 **Q. What is the purpose of this true-up direct testimony?**

10 A. The purpose of this true-up direct testimony is to explain OPC’s issue with the estimated rate
11 case expense filed in Liberty’s true-up direct.

12 **II. Rate Case Expense**

13 **Q. Has OPC reviewed Mr. Evans’ rebuttal testimony?**

14 A. Yes

1 **Q. On page 5, lines 12-18, Mr. Evans infers that the sharing proposal by Missouri Public**
2 **Service Commission (“Staff”) penalizes Liberty because it uses outside experts and**
3 **witnesses and that if they used in-house experts they would recover all of their rate case**
4 **expense. Does OPC agree?**

5 A. No. The sharing methodology that the Commission ordered in the KCPL’s ER-2014-0370
6 rate case (“2014 Order”) does not penalize the utility for how they choose to approach their
7 rate case. As long as the rate case expenses are reasonable and prudent, the 2014 Order allows
8 the utility the ability to recover all of its rate case expense whether it uses in-house or outside
9 experts and witnesses. Regulated utilities have an advantage over the OPC and Staff when it
10 comes to rate case proceedings because of information asymmetry and greater financial
11 resources to devote towards one proceeding. This methodology motivates a utility to control
12 their expenses and achieves an efficient rate case procedure by discouraging frivolous claims.

13 **Q. On page 6 lines 13-17, Mr. Evans states Staff’s current calculation penalizes Liberty for**
14 **the change in corporate federal income tax. Is this a fair statement?**

15 A. No. OPC understands the changes to the corporate federal income tax should change the
16 amount of increase requested by Liberty. This would not affect how the 2014 Order
17 methodology is used. Taking into account the change to the tax rate, it is still a reasonable
18 and fair approach for rate case expense.

19 **Q. Please explain why the 2014 Order is a fair rate case expense approach.**

20 A. As I stated above, Liberty has the ability to recover all of their reasonable and prudent rate
21 case expenses as long as the amount of increase requested is reasonable and prudent. The
22 purpose of the 2014 Order is to protect ratepayers from costs associated with issues that will
23 only benefit the shareholders. If the requested increase is above the amount ordered to provide
24 safe and adequate service, then the excess is clearly for the benefit of Liberty’s shareholders.
25 Therefore, Liberty should have to pay for the portion of rate case expense for the excess
26 requested amount.

III. Rate Case Expense True-Up Direct

Q. In Mr. Evan’s true-up direct testimony, what is the estimated cost of rate case expense?

A. The estimated rate case expense for Liberty in this rate case is \$886,149.

Q. Does OPC take issue with the amount sought?

A. Yes. This is an excessive amount of rate case expense in light of Liberty’s total requested rate increase of \$7,132,577. Rate case expense represents 12% of Liberty’s total requested increase. OPC compared Liberty’s requested increase to estimated rate case expense to all of 2017 rate cases as seen in Table 1:

Table 1: 2017 Rate Case Expense of Missouri Utilities relative to Liberty

Case No.	Utility	Increase Requested (IR)	Rate Case Expense (RCE)	% of IR to RCE
GR-2018-0013	Liberty Utilities	\$7,132,577	\$886,149	12.42%

Case No.	Utility	Increase Requested (IR)	Data Source	Rate Case Expense (RCE)	Data Source	% Of IR to RCE	Liberty's IR compared to Company IR	More/Less	Liberty's RCE compared to Company RCE	More/Less
GR-2017-0215	Laclede Gas Company	\$58,055,011	Noack Direct Testimony	\$596,668	Noack Direct Testimony	1.03%	12.29%	Less	32.67%	More
GR-2017-0216	Missouri Energy Gas	\$50,401,787	Noack Direct Testimony	\$397,779	Noack Direct Testimony	0.79%	14.15%	Less	55.11%	More
SR-2017-0109	Terre Du Lac Utilities	\$8,700	Notice of Rate Increase	\$429	Staff Foster Direct Testimony	4.93%	99.88%	More	99.95%	More
WR-2017-0110	Terre Du Lac Utilities	\$134,000	Notice of Rate Increase	\$429	Staff Foster Direct Testimony	0.32%	98.12%	More	99.95%	More
SR-2017-0130	Gladlo Water & Sewer Company, Inc.	\$3,655	Rate Increase Request Lett	\$120	OPC v Staff Comparison Day 90	3.28%	99.95%	More	99.99%	More
WR-2017-0131	Gladlo Water & Sewer Company, Inc.	\$6,678	Rate Increase Request Lett	\$120	OPC v Staff Comparison Day 90	1.80%	99.91%	More	99.99%	More
WR-2017-0042	Ridge Creek Water Company, LLC	\$15,500	Small Utility Rate Request	\$1,785	Staff 120 Day EMS	11.52%	99.78%	More	99.80%	More
WR-2017-0259	Indian Hills Utility Operating Company, Inc.	\$750,280	Request for Increase	\$86,038	Case DR 58	11.47%	89.48%	More	90.29%	More
WR-2017-0285	Missouri-American Water Company	\$89,405,258	LaGrande Direct Testimon	\$618,187	LaGrande Direct Testimony	0.69%	7.98%	Less	30.24%	More
WR-2017-0343	Gascony Water Company, Inc	\$15,000	Rate Increase Request	\$18,000	Russo Direct Testimony	120.00%	99.79%	More	97.97%	More

As shown in the above table, Liberty has a greater percentage increase attributable to rate case expense than all rate cases filed and completed in 2017 except the small water cases.

1 **Q. Is there another utility company OPC would distinguish from and compare with**
2 **Liberty?**

3 A. Missouri American Water Company (“MAWC”) is the best comparable utility.

4 **Q. Why is MAWC the best comparable utility?**

5 A. Both utilities filed rate cases that conclude(d) in 2018. Both utilities are large utilities. Both
6 utilities are owned by parent companies. Liberty is owned by Algonquin Power & Utilities
7 Corp. (“APUC”) and MAWC is owned by American Water Company (“AWC”). Both have
8 subsidiaries in several states; and in APUC’s situation, it is involved in water, sewer, electric
9 and natural gas. These companies are similar because their parent companies are in a different
10 jurisdiction, and have experience with rate cases in other jurisdictions.

11 Even though MAWC is similar to Liberty, MAWC took a different strategy relating to rate
12 case expense. Even with more Missouri-jurisdictional customers than Liberty and even with
13 higher dollars at stake, MAWC was able to spend less dollars on rate case expenses. MAWC
14 used fewer outside consultants in comparison to Liberty. The above table shows that MAWC
15 requested an estimated \$618,187 initially in rate case expense. This amount is less than 1%
16 of the requested increase and approximately 8% less than what Liberty estimated. This is
17 significant when Liberty’s estimated rate case expense is 12.42% of the requested increase
18 amount.

19 **Q. Has any of Liberty’s sister companies had issues regarding rate case expense in other**
20 **state?**

21 A. Yes. In the Iowa Utilities Board (“IUB”), Docket No. RPU-2016-0003 (“IUB Case”), rate
22 case expense was a highly contested issue caught OPC’s attention. Rate case expense Case
23 estimated in the IUB was \$389,979 for Liberty expenses and \$225,000 for Utilities Division.
24 Liberty reported actual rate case expense as \$608,931 for Liberty expenses and \$230,712 for
25 Utilities Division. Iowa’s Office of Consumer Advocate (OCA) did not object to the
26 estimated rate case expense filed, but did object to the actual filed rate case expense because

1 it was 56% of the requested increase. IUB agreed with the discrepancy, one reason is that the
2 other parties did not have time to verify the reasonableness of the rate case expense charges.
3 IUB disallowed \$25,000 of the actual rate case expense.

4 **Q. Did OPC address any concerns to Liberty prior to this rate case filing?**

5 A. Yes. The attached email ACC-TUD-1 is an email sent from OPC to Liberty regarding IUB
6 Case and the rate case expense issue. OPC provided an explanation to how the Commission
7 has ordered rate case expense in contemporary proceedings. The purpose of this email was
8 to make Liberty aware OPC's concern of Liberty's sister companies' trend of unreasonably
9 high rate case expenses before any rate case expense had been incurred.

10 **Q. Does OPC believe Liberty's rate case expense to be excessive?**

11 A. Yes, it is excessive and inappropriate. To be clear, Liberty is not a small utility. Liberty Gas
12 is an affiliate of Algonquin Power & Utilities Corp. A multi-national billion dollar, publically-
13 traded organization that has direct or indirect interest in more than 35 clean energy facilities,
14 and Liberty, which has water distribution and wastewater treatment operations in five states
15 with 159,000 customers, electricity distribution operations in six states with 264,000
16 customers, and natural gas distribution operations in six states with approximately 335,000
17 customers.¹ APUC and Liberty Utilities Group as a whole are accustomed to filing and
18 litigating rate cases and has completed several rate cases in 2017 with cumulative annualized
19 revenue increases of approximately \$20.4 million and pending rate cases in 2018 that if they
20 are successful will have approximately \$44.9 million in cumulative annualized revenue
21 increase.²

22 OPC disagrees with Liberty's assertion that outside consultants are more economical and
23 efficient. The table provided above proves how unreasonably high Liberty's rate case expense

¹ http://algonquinpower.com/our_business/ shows the subsidiaries and distribution businesses APUC owns.

² <https://www.prnewswire.com/news-releases/algonquin-power--utilities-corp-announces-2017-fourth-quarter-and-year-end-financial-results-675603593.html> news provided by APUC March 1, 2018 to Cision PR Newswire.

1 is when compared to other rate cases in Missouri. The Commission should not tolerate this
2 excessive cost. This is not how economies of scale are achieved, nor is it how efficient
3 companies run.

4 **Q. What does OPC recommend for rate case expense?**

5 A. OPC recommends the 2014 Order sharing methodology. At this time, the amount of rate case
6 expense allowed is 23.98%. OPC will need to verify invoices when they are available in order
7 to substantiate whether the rate case expense charges are reasonable and prudent to the case.

8 **IV. Management Expenses**

9 **Q. Since rebuttal testimony, have you finalized the Management Expense Analysis?**

10 A. Yes, attached as schedule ACC-S-1.

11 **Q. What is the amount of adjustment you are making?**

12 A. The amount of management expenses removed at this time is \$85,433.

13 **Q. Please list some charges that OPC excluded from MAWC's expenses.**

14 A. Below are five expenses OPC excluded, in US dollars, in its final adjustment:

- 15 1. \$ \$1,262.56 for a hotel room at Hilton Hotels in London, England. This expense
16 was for a Europe marketing trip, which is not required for safe and adequate service
17 to Missouri ratepayers.
- 18 2. \$1,107.01 for a hotel room at Alden Suite Hotel Splügenscholoss Zurich³ in Zürich,
19 Switzerland. This expense was for a Europe marketing trip, which is not required
20 for safe and adequate service to Missouri ratepayers.

³ The hotel's website describes the property as "the most exclusive 5 star Boutique hotel in the heart of Zurich."
<http://www.alden.ch/>

1 3. \$937.83 for CPA dues in Toronto, Ontario, Canada. This expense should not be to
2 Missouri ratepayers.

3 4. \$687.75 for a hotel room at Mandarin Oriental in Geneva, Switzerland. This
4 expense was for a Europe marketing trip, which is not required for safe and
5 adequate service to Missouri ratepayers.

6 5. \$161.65 for lunch at Summit Garden Chinese Cuisine in Mississauga, Ontario,
7 Canada. The receipt supplied was not itemized, and there were no attendees listed,
8 which is in violation of the expense policy.

9 **Q. Did OPC request additional information for description of charges?**

10 A. Yes. OPC's data requests 1214 and 1215 asked for Liberty to provide the FERC accounts
11 used for two of their officers and the allocations used regarding their charges.

12 **Q. Did Liberty have any difficulties providing the information requested by OPC?**

13 A. Yes. After talking with Liberty, I was able to describe the exact information I needed for
14 the two officers.

15 **Q. While working with Liberty regarding OPC's data requests 1214 and 1215, did OPC
16 have any concerns with the way Liberty receives their information from APUC?**

17 A. Yes. APUC sends Liberty a sales/invoice statement with charges listed to each FERC
18 account of officer charges allocated to them with few to no receipts. ACC-S-2 is a
19 confidential attachment with an invoice from APUC to Liberty for payment. One excel
20 sheet that they can go to will verify the operating unit the charges were allocated to and the
21 internal account number given to the charge. In order to find the FERC account, they must
22 then go to another spreadsheet and look up the charges with the information from the first
23 excel sheet.

1 The most concerning part of this process is that Liberty does not seem to be concerned with
2 whether the statements APUC sends to them are correct or not. From the data OPC
3 received, there are very few invoices and receipts for the expenses charged to Liberty from
4 these officers, and by sending more than one excel sheet, it is tedious process to get basic
5 information. There seems to be no checks and balances in regards to those expenses,
6 therefore no way to verify if the amount charged to Liberty is the correct amount of the
7 actual charges and that the allocation of these charges are appropriate. The way Liberty
8 treats APUC's charges leads OPC to consider that they are just as carefree with other bills
9 they receive for payment.

10 **Q. Is the way Liberty receives officer expenses similar to what OPC received in regards**
11 **to data requests 1200-1203?**

12 A. Yes. The data received from Liberty consisted of monthly expense report sheets with each
13 charge listed and an expense ID number. Some of these sheets had the FERC account
14 listed as well as descriptions of the charges and others did not. To cross-reference the
15 expense sheets with the excel sheets, you could look for the ID number, however, the
16 charges on the excel sheet were not individually listed, so it was difficult to tell exactly
17 what FERC accounts and operating unit these charges were made to.

18 **Q. Has OPC requested this information from other utilities? If so, how did Liberty differ**
19 **from the other utilities?**

20 A. OPC has requested this information from several utilities in order to conduct a
21 management expenses analysis. This is the first time OPC has needed to request
22 clarification regarding allocations and FERC accounts. This is not the only problem with
23 APUC. The excel sheets received with the expense reports requested in data requests 1200-
24 12003 had totals lumped together and lack of invoices as well. This practice is not
25 transparent or a reasonable recording of expenses, especially for charges made by
26 employees and for which the company asks customers to reimburse those expenses.

1

2 **Q. Does OPC have a recommendation in how APUC should send their Liberty allocated**
3 **charges?**

4 A. Yes. APUC should send all invoices and receipts with corresponding, easy to follow
5 itemized statements of officer and management expenses allocated to Liberty. This will
6 not only help for auditing purposes, but it will also give transparency to the charges APUC
7 expects Liberty and in extension Liberty's ratepayers to pay. This would coincide with
8 Liberty verifying that the statements they receive from APUC are correct and allocated
9 appropriately.

10 **Q. Does this conclude your testimony?**

11 A. Yes, it does.