

*Exhibit No.:*  
*Issue(s):* *Report on Cost of Service; Overview of the Staff's Filing; Policy*  
*Witness:* *Myers, Jamie S.*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*Case Nos.:* *GR-2018-0013*  
*Date Testimony Prepared:* *March 2, 2018*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**DIRECT TESTIMONY**

**OF**

**JAMIE S. MYERS**

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.**

**d/b/a LIBERTY UTILITIES**

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

*Jefferson City, Missouri*  
*March 2018*

1 **DIRECT TESTIMONY**

2 **OF**

3 **JAMIE S. MYERS**

4 **LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.**

5 **d/b/a LIBERTY UTILITIES**

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

7 Q. Please state your name and business address.

8 A. My name is Jamie Myers. My business address is 200 Madison Street,  
9 Jefferson City, Missouri 65101.  
10

11 Q. By whom are you employed and in what capacity?

12 A. I am employed by the Missouri Public Service Commission (“Commission”)  
13 as Commission Staff Deputy Director.

14 Q. Please describe your education and relevant work experience.

15 A. I received a Bachelor’s of Arts Degree in Environmental Studies and  
16 Juris Doctor from the University of Missouri. I began employment at the Commission in  
17 May 2014 in the Staff Counsel Department. I transitioned to my current position as  
18 Commission Staff Deputy Director in April 2017. Prior to my employment at the  
19 Commission, I spent four years working in education and research.

20 My job duties include assisting the Commission Staff Director in overseeing all  
21 aspects of the Commission Staff. Currently, I am the designated lead on the general review of  
22 the Commission’s rules, pursuant to Executive Order 17-03. In my prior position at the  
23 Commission, I was the assigned attorney on several rate cases, complaints, and various  
24 applications.

1 Q. Have you previously testified before the Commission?

2 A. Yes, I testified before the Commission in Case Numbers GR-2017-0215 and  
3 GR-2017-0216.

4 **EXECUTIVE SUMMARY**

5 Q. What is the purpose of your testimony?

6 A. The purpose of my testimony is to sponsor Staff's Cost of Service Report that  
7 is being filed concurrently with this testimony, provide an overview of Staff's cost-of-service  
8 calculation and revenue requirement recommendation, and if requested at hearing, address  
9 questions of a general or policy nature regarding the work performed by, or the positions  
10 taken by Staff in this proceeding.

11 Q. What did Staff review for its Cost of Service Report?

12 A. Staff reviewed all the cost-of-service components (capital structure, return on  
13 rate base, rate base, depreciation expense, revenues, and operating expenses) that comprise  
14 Liberty Utilities' ("Liberty Midstates") revenue requirement based on the 12-months ending  
15 June 30, 2017, and updated for known and measureable changes through December 31, 2017.

16 Q. Based on Staff's review, what is Staff's recommended revenue requirement for  
17 Liberty Midstates?

18 A. Staff recommends an increase of \$1,292,380 to Liberty Midstates' base rates,  
19 and that the Company's Infrastructure System Replacement Surcharge ("ISRS") be reset to  
20 zero. Staff recommends a return on equity ("ROE") of 10.0%, which is the upper end of  
21 Staff's recommended equity cost rate range of 9.5% to 10.0%.

1 Q. What rate increase is Liberty Midstates requesting?

2 A. Liberty Midstates is requesting a gross revenue increase of approximately \$7.5  
3 million. However, Liberty Midstates is currently collecting ISRS revenues of approximately  
4 \$470,000. This results in a net incremental increase request of approximately \$7.0 million.  
5 The Company is requesting a ROE of 10.25%.

6 Q. Does Staff address other issues in its Cost of Service Report?

7 A. Yes. While several issues are addressed, some of the large differences in  
8 dollar amounts between Staff and Liberty Midstates at this time result from differences in  
9 recommended Federal Income Tax Rate due to Tax Cuts and Jobs Act (“TCJA”) Tax Reform,  
10 Affiliate Allocations, Plant-In-Service, Depreciation Reserve, Depreciation Expense, Capital  
11 Structure, and ROE.

12 **STAFF REPORT ON COST OF SERVICE**

13 Q. How is Staff’s Cost of Service Report organized?

14 A. It is organized by topic as follows:

15 I. Executive Summary

16 II. Background

17 III. Test Year/True-Up Period

18 IV. Staff’s Revenue Requirement Recommendation

19 V. Surveillance Reporting

20 VI. Rate of Return (ROE, Cost of Capital, Capital Structure)

21 VII. Rate Base

22 VIII. Allocations

23 IX. Income Statement

24 X. Depreciation

25 XI. Appendices

1           The Rate Base and Income Statement sections of Staff’s Cost of Service Report have  
2 numerous subsections, which explain each specific adjustment Staff made to the EMS run  
3 Staff developed in this case. The Staff member responsible for writing each subsection of the  
4 report is identified at the end of the subsection. The affidavit of each Staff person who  
5 contributed to the report is included in an appendix to the report.

6           Short forms used in the Staff’s Cost of Service Report and Class Cost of Service  
7 Report include:

- 8           “the Commission” for the Missouri Public Service Commission;
- 9           “Staff” for the Staff of the Missouri Public Service Commission;
- 10          “Public Counsel” for the Office of the Public Counsel;
- 11          “EMS” for Staff’s revenue requirement model referred to as Exhibit  
12 Modeling System;
- 13          “ROE” for Return on Equity;
- 14          “ROR” for Rate of Return;
- 15          “ISRS” for Infrastructure System Replacement Surcharge;
- 16          “ACA” for Actual Cost Adjustment;
- 17          “PGA” for Purchased Gas Adjustment;
- 18          “APUC” for Algonquin Power and Utilities Corp;
- 19          “LUSC” for Liberty Utilities Service Corp;
- 20          “LUC” for Liberty Utilities (Canada) Corp.;
- 21          “LUCo” for Liberty Utilities Co.;
- 22          “Liberty Midstates” for Liberty Utilities (Midstates Natural Gas) Corp.;
- 23          “Liberty Midstates – MO” for Liberty Midstates (Missouri only);
- 24          “NEMO” for Liberty Midstates - MO Northeast Operations;
- 25          “SEMO” for Liberty Midstates - MO Southeast Operations;
- 26          “WEMO” for Liberty Midstates - MO Western operations

1 **OVERVIEW OF STAFF'S RECOMMENDED REVENUE REQUIREMENT**

2 Q. How does one determine the revenue requirement for a regulated utility?

3 A. The first step is to calculate the cost-of-service. The cost-of-service for a  
4 regulated utility can be defined by the following formula:

5 Cost-of-Service = Cost of Providing Utility Service

6 or

7  $COS = O + (V - D)R$  where,

8  $COS =$  Cost-of-Service

9  $O =$  Adjusted Operating Costs (Payroll, Maintenance, etc.),  
10 Depreciation Expense and Taxes

11  $V =$  Gross Valuation of Property Required for Providing Service

12  $D =$  Accumulated Depreciation Representing Recovery of Gross  
13 Property Investment

14  $R =$  Allowed Rate of Return

15  $V - D =$  Rate Base (Gross Property Investment less Accumulated  
16 Depreciation = Net Property Investment)

17  $(V - D)R =$  Return Allowed on Net Property Investment

18 Q. Once cost-of-service is calculated, how does one determine the revenue  
19 requirement?

20 A. Revenue requirement is the difference between the calculated cost-of-service  
21 and the adjusted current revenues.<sup>1</sup> That difference represents the regulated utility's necessary  
22 rate relief and can be defined by the following formula:

23  $RR = COS - CR$  where,

24  $RR =$  Revenue Requirement

25  $COS =$  Cost-of-Service

26  $CR =$  Adjusted Current Revenues

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<sup>1</sup> It should be noted that often the terms "cost-of-service" and "revenue requirement" are used interchangeably to refer to what is defined as "cost-of-service" above.

Direct Testimony of  
Jamie S. Myers

1 Q. Does this conclude your direct testimony?

2 A. Yes it does.

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

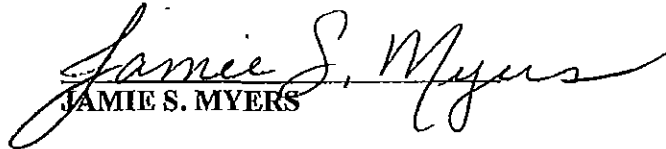
In the Matter of Liberty Utilities )  
(Midstates Natural Gas) Corp. d/b/a ) Case No. GR-2018-0013  
Liberty Utilities' Tariff Revisions )  
Designed to Implement a General Rate )  
Increase for Natural Gas Service in the )  
Missouri Service Areas of the Company )

**AFFIDAVIT OF JAMIE S. MYERS**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

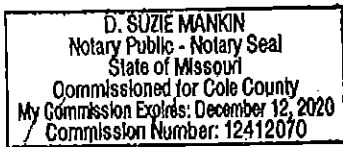
**COMES NOW JAMIE S. MYERS** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Direct Testimony and that the same is true and correct according to her best knowledge and belief.

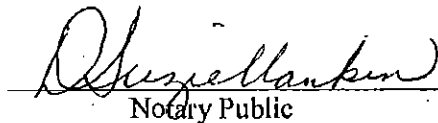
Further the Affiant sayeth not.

  
JAMIE S. MYERS

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 28<sup>th</sup> day of February 2018.



  
Notary Public