

Exhibit No.: _____
Issue(s): CCN Requirements
Witness: Michael D. Beatty
Type of Exhibit: Direct Testimony
Sponsoring Party: Liberty Utilities (Missouri
Water) LLC
Case No.: WA-2020-0397
Date Testimony Prepared: July 2021

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

Direct Testimony

of

Michael D. Beatty

on behalf of

Liberty Utilities (Missouri Water) LLC

July 2021



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LIBERTY UTILITIES (MISSOURI WATER) LLC
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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DIRECT TESTIMONY OF MICHAEL D. BEATTY
LIBERTY UTILITIES (MISSOURI WATER) LLC
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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1 **I. INTRODUCTION**

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

3 A. My name is Michael D. Beatty. My business address is 601 Joplin Ave, 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. (“Liberty”) as Vice President – Gas
7 Operations, Central Region. The Liberty Central Region includes Liberty Utilities
8 (Missouri Water) LLC (“Liberty Missouri Water” or “Company”) which provides
9 water and sewer utility service to customers in Missouri, as well as Liberty Utilities
10 (Midstates Natural Gas) Corp. (“Liberty Midstates”), The Empire District Electric
11 Company, The Empire District Gas Company, and Liberty Utilities (Pine Bluff) Inc.

12 **Q. Please describe your educational and professional background.**

13 A. I am a licensed Professional Engineer (“PE”) in the states of Iowa, Illinois, Missouri,
14 Colorado, Kansas, Tennessee, Virginia, and South Carolina. I have worked in the
15 utility industry for the past 32 years. I started my career with Liberty as Director of
16 Engineering and Compliance for Liberty Midstates and was promoted to President of
17 Liberty Midstates where I held that position until 2017 when I assumed my current
18 position of Vice President, Central Region. My duties and experience included
19 oversight of all the utility’s operations and engineering. In addition, I have a passion
20 for improving the integrity of utility systems, and, consequently, I have served on a
21 number of industry committees and associations. I have served on the American Gas

1 Association's ("AGA") Distribution Integrity Working Group and worked on the
2 AGA's Distribution Integrity Management Program ("DIMP") Phase One Document.
3 I am currently a member of the Southern Gas Association ("SGA") and have served as
4 the chair for the DIMP Document Committee (in cooperation with the Northern Gas
5 Association ("NGA") and the Distribution Engineering Committee. I also serve on the
6 Midwest Energy Association (MEA) Board of Directors.

7 **Q. What are your primary responsibilities as a Vice President of the Company?**

8 A. In my current role, I have an overall responsibility for the regulatory, financial,
9 operations and customer care aspects of Liberty's Central Region gas, water, and
10 wastewater business. More specifically, I ensure that Liberty Missouri Water and the
11 other water and natural gas utilities comply with all rules and regulations that concern
12 safety, reliability and rates. In addition, I ensure that Liberty Missouri Water is
13 financially responsible and is able to perform the above tasks strategically and
14 responsibly.

15 **Q. On whose behalf are you testifying in this proceeding?**

16 A. I am testifying on behalf of Liberty Missouri Water, a water and wastewater utility that
17 regularly provides water and/or wastewater service to approximately 8,274 customer
18 connections. More specifically, Liberty Missouri Water regularly provides service to
19 6,874 water only customers, 1,119 water and wastewater customers, and 281
20 wastewater only customers, with approximately 8,079 unique water/wastewater
21 customers.

22 **Q. Have you previously testified before the Missouri Public Service Commission**
23 **("Commission") or any other regulatory agency?**

1 A. Yes. I provided testimony before this Commission in Liberty Midstates' last rate case
2 (Case No. GR-2018-0013). In addition, on behalf of various utilities within the Liberty
3 Central Region, I have provided testimony before the Arkansas Public Service
4 Commission, the Illinois Commerce Commission, and the Iowa Utilities Board.

5 **Q. What is the purpose of your Direct Testimony in this proceeding?**

6 A. My Direct Testimony in this proceeding provides an overview of the transaction, as
7 well as the Company's application. Along with the Company's verified application and
8 the Direct Testimony of Jill Schwartz, my Direct Testimony provides the factual basis
9 for a Commission finding and conclusion that the requested Certificates of
10 Convenience and Necessity ("CCNs") are in the public interest.

11 **II. OVERVIEW OF THE TRANSACTION**

12 **Q. Please describe the agreement between Liberty Missouri Water and the City of**
13 **Bolivar, Missouri regarding the sale of the Bolivar water and sewer assets.**

14 A. In November 2019, Liberty Missouri Water and the City of Bolivar, Missouri ("the
15 City") executed an Asset Purchase Agreement for the assets comprising the water
16 distribution system and the assets comprising the wastewater collection, treatment and
17 disposal system currently owned and operated by the City.

18 **Q. Was the sale of the water and wastewater systems approved by customers of the**
19 **systems?**

20 A. Yes. The sale of the systems was subject to a public vote. The transaction was
21 originally slated to be on the April 7, 2020 ballot for voters in Bolivar to be asked to
22 approve the transfer of the water and wastewater systems currently owned and operated
23 by the City, to Liberty. However, due to the COVID-19 pandemic, the election was
24 postponed to June 2, 2020. On June 2, 2020, citizens of Bolivar voted 743 to 448 (62%

1 of the vote) approving the transfer of the water and wastewater systems and authorizing
2 the City to enter into a franchise agreement with Liberty Missouri Water for water and
3 wastewater service.

4 **Q. Please provide a brief description of Bolivar's water distribution system.**

5 A. The water distribution system in Bolivar consists of approximately 93 miles of mains.
6 Of the total miles of mains, forty-eight (48) miles are PVC pipe, twenty-three (23) miles
7 are comprised of cast iron pipe, and the remaining miles of mains are made up of
8 various other materials. The system has seven wells that, collectively, are able to
9 provide all the system's water requirements. At each well there is a building, pumps,
10 motors and all the equipment necessary to operate. Additionally, six of the wells have
11 onsite generators for backup power.

12 **Q. How many customers does the City currently provide water service to?**

13 A. The water distribution system serves approximately 4,700 customers located within
14 and just outside of the city limits.

15 **Q. Please provide a brief description of Bolivar's wastewater system?**

16 A. The wastewater system consists of approximately nine (9) miles of forced main, which
17 is all PVC pipe. The system has eighty-two (82) miles of gravity mains, which consist
18 of forty-six (46) miles of PVC, thirty-four (34) miles of clay pipe, and remaining
19 various other materials. The collection system consists of thirteen (13) lift stations with
20 pumps and equipment to operate each station. The wastewater system also includes
21 two treatment facilities. The main treatment facility was placed into service in 1972,
22 and the second, smaller treatment facility was acquired by the City in 2014.

23 **Q. How many customers does the City currently provide wastewater service to?**

1 A. The wastewater system serves approximately 4,800 customers located within and just
2 outside the city limits. Like many systems, wastewater customers are not separately
3 metered, but rather are billed according to their water usage. However, approximately
4 ninety-five of the City's wastewater customers are not also water customers and are
5 therefore assessed a flat rate for wastewater usage.

6 **Q. Are there any known operating issues with Bolivar's water or wastewater**
7 **systems?**

8 A. The wastewater system has significant inflow and infiltration ("I&I") into the system
9 such that, during periods of heavy rain, the system experiences flows that exceed the
10 capacity of the City's main treatment facility. During these high flow periods, the
11 system backs up and discharges untreated water through manholes, pump stations,
12 sewer line breaks and other locations within the collection system. Further, the
13 Company understands that there have been sanitary sewer overflows ("SSOs")
14 occurring for some time. While not all SSOs rise to violations of discharge limits as
15 defined by the Environmental Protection Agency ("EPA") and the Missouri
16 Department of Natural Resources ("DNR"), the condition of the wastewater system and
17 the I&I issues have drawn attention from the Missouri DNR and the EPA.

18 **III. OVERVIEW OF LIBERTY'S APPLICATION**

19 **Q. Please provide an overview of the Company's verified application filed in this**
20 **docket.**

21 A. On October 15, 2020, Liberty Missouri Water submitted an application to the
22 Commission for CCNs authorizing Liberty Missouri Water to install, own, acquire,
23 construct, operate, control, manage, and maintain a water system and a wastewater
24 system in Bolivar, Polk County, Missouri. In addition to obtaining the CCNs, the

1 Company seeks to establish the ratemaking rate base associated with the Bolivar water
2 and wastewater assets based on the fair market or appraised value of the systems.

3 **Q. In its application, does Liberty Missouri Water propose to increase rates for**
4 **Bolivar water and wastewater customers?**

5 A. No. In its application, the Company provided specimen tariffs which propose to adopt
6 the rates currently paid by Bolivar water and wastewater customers. Further, Liberty
7 Missouri Water has communicated to Bolivar customers that it does not intend to seek
8 an increase in rates for water and/or wastewater utility service until 2023.

9 **Q. Does the Company's application include plans for necessary investments in the**
10 **systems within the first three years of ownership?**

11 A. Yes. Liberty Missouri Water conducted an evaluation of the current treatment facility
12 to determine the estimated cost of the initial (i.e., short-term) improvements to the
13 wastewater treatment plant ("WWTP") in an effort to minimize the potential of SSOs
14 at the existing manholes on the treatment facility property. The evaluation also provides
15 an idea of the field and engineering work that will be needed to develop a long-term
16 program for the treatment facility, which may include work to address peak flow
17 reduction/handling and improvements at the treatment facility to address future
18 National Pollutant Discharge Elimination System ("NPDES") requirements. Exhibit
19 D of the Company's application is a feasibility study containing plans and
20 specifications for the utility system and the estimated costs of capital investments
21 necessary during the first 3 years.

22 Specifically, Liberty Missouri Water has estimated over \$1.1 million of capital
23 investments to be made in the water system within the first 3 years of ownership,
24 including replacements of water mains, meters, and service lines, as well as vehicles

1 and equipment. The Company also plans to upgrade the chlorine system, the software
2 for the automated meter reading (“AMR”) devices and certain facilities. In addition,
3 Liberty Missouri Water’s feasibility study outlines over \$5.4 million in capital
4 improvements to the wastewater system, primarily to address the I&I issues and SSO’s
5 discussed above.

6 **IV. TARTAN CRITERIA**

7 **Q. Does Liberty Missouri Water have the technical, managerial, and financial**
8 **capabilities to successfully manage the water and wastewater operations of**
9 **Bolivar?**

10 A. Yes. Liberty Missouri Water has successfully demonstrated its ability to own and
11 operate water and wastewater utility systems in Missouri since 2005. And as Staff
12 notes in its recommendation in this case, consistent with the establishment in several
13 more recent acquisitions of small water and wastewater systems approved by the
14 Commission (Case Nos. WM-2018-0023, WA-2018-0036, SA-2020-0067, WM-2020-
15 0156 and WM-2020-0174), the Company has the technical, managerial and financial
16 capabilities to successfully manage and operate the water and wastewater systems in
17 Bolivar. As a subsidiary of Algonquin Power & Utilities Corporation (“APUC”),
18 Liberty Missouri Water has access to sufficient capital to finance the day-to-day
19 operations and necessary capital investments of its water and wastewater utility
20 operations in Missouri.

21 **Q. Are you familiar with the Tartan criteria that the Commission applies to CCN**
22 **applications?**

1 A. In general, yes. I understand that the Tartan criteria assess: 1) the need for service; 2)
2 the utility's qualifications; 3) the utility's financial ability; 4) the economic feasibility
3 of the proposal; and 5) the promotion of the public interest.

4 **Q. Is there a need for service?**

5 A. Without question, there is a need for water and wastewater service in Bolivar. In
6 addition, as discussed above, there is a need for investments and significant
7 improvements to be made to the wastewater treatment plant.

8 **Q. Is Liberty Missouri Water qualified to operate the water and wastewater systems**
9 **in Bolivar?**

10 A. Yes. As stated above, through more than 8,000 connections, the Company regularly
11 provides water, wastewater, or water and wastewater service to over 8,000 customers
12 in Missouri. Liberty Missouri Water has owned and operated water and wastewater
13 utilities in Missouri since 2005. Also, as part of a significantly larger organization, it
14 has access to skilled and strategic management. APUC, as the ultimate parent
15 company, owns and operates water and wastewater utilities in five other states in the
16 United States as well as Chile in South America. In total, APUC provides safe and
17 reliable water and wastewater utility service to nearly 400,000 customers on a daily
18 basis and, through its affiliate Liberty Missouri Water, is equally committed to serving
19 customers in Bolivar.

20 **Q. Does Liberty Missouri Water have the financial ability to own and operate the**
21 **Bolivar water and wastewater systems?**

22 A. Yes. As stated earlier, through its publicly traded parent company, APUC, Liberty
23 Missouri Water has access to the capital markets and short-term credit facilities to
24 ensure it is able to make the necessary infrastructure investments.

1 **Q. Is the Company’s proposal feasible and does it promote the public interest?**

2 A. Yes. As Staff stated in its recommendation and as established above, Liberty Missouri
3 Water has demonstrated its capabilities to own and operate water and wastewater
4 utilities, and it has access to the capital necessary to execute the plans laid out to address
5 the I&I issues and SSOs that the City has not. Further, the Company has communicated
6 its commitment to the City and its customers to make the necessary investments in the
7 systems, while not seeking to increase the current water and wastewater rates until 2023
8 for rates to become effective in 2024, at which time customers will still not experience
9 significant “rate shock” with rates based on the appraised value of \$20 million and
10 approximately \$6.5 million of capital investments in the system. This is addressed in
11 more detail in the Direct Testimony of Jill Schwartz. Further, as previously discussed,
12 residents in Bolivar who are water and wastewater customers have already publicly
13 demonstrated their support by 62% (743 to 448) of voters in favor of the sale of the
14 assets to Liberty.

15 **Q. Does this conclude your Direct Testimony at this time?**

16 A. Yes.

VERIFICATION

I, Michael D. Beatty, under penalty of perjury, on this 16th day of July, 2021, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Michael D. Beatty