

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

In the Matter of the Establishment of a Working)	
Case for the Consideration of Writing a New)	
Affiliate Transaction Rule for Water Corporations)	File No. WW-2018-0392
With 8,000 Customers or Less and/or Sewer)	
Corporations with 8,000 Customers or Less)	

LIBERTY UTILITIES' INITIAL COMMENTS

COME NOW Liberty Utilities (Missouri Water) LLC and The Empire District Electric Company (collectively, “Liberty Utilities”), by and through counsel, and submit these Initial Comments in response to the Motion to Establish Working Case filed herein by the Staff of the Commission (“Staff”) and the *Order Opening a Working Case to Consider a New Affiliate Transaction Rule for Small Water and Sewer Corporations* issued herein by the Missouri Public Service Commission (“Commission”). In this regard, Liberty Utilities respectfully states as follows to the Commission:

1. Liberty Utilities appreciates the opportunity to participate in this working docket regarding the possible creation of a new affiliate transactions rule for small water and sewer corporations and provide comments regarding Staff’s proposed rule.
2. As noted, the proposed rule being considered in this working docket would apply only to “small” water and sewer corporations, meaning water and/or sewer utilities with 8,000 or less customers.
3. The Commission’s current affiliate transactions rules do not apply to water and sewer corporations of any size. The Commission, however, has opened a working docket to consider the implementation of an affiliate transactions rule that would apply to all electric, gas, heating, water, and sewer corporations with greater than 8,000 customers (File No. AW-2018-0394). As noted in the comments Liberty Utilities is filing in that

docket, Liberty Utilities does not object to the Commission's affiliate transactions rules being extended to apply to water and sewer corporations with greater than 8,000 customers. Also, Liberty Utilities agrees with Staff that "with water and sewer corporations, size varies so significantly that there should be separate working cases rather than one all-encompassing" affiliate transactions rules working case.

4. Liberty Utilities appreciate Staff's acknowledgment that any affiliate transactions rule for small utilities should be less prescriptive than the affiliate transactions rules for larger utilities. However, Liberty Utilities questions the need for affiliate transactions rules for small water and sewer utilities (those with 8,000 or less customers).
5. Imposing an affiliate transactions rule for small water and sewer utilities would create significant burdens that would make it more difficult to maintain the efficiencies of running smaller utility systems. For example, the proposed creation and approval processes for a Cost Allocation Manual are labor and cost-intensive (proposed rule subsection (3)) and would be an unreasonable burden for a small utility, with little or no resulting benefits. The same is true for the record, reporting, and training requirements that would require substantial actions outside the rate case process.
6. Many small utility operators seek to keep operations lean, thereby keeping down the costs for customers. The requirements imposed by the proposed affiliate transactions rule could increase utility costs substantially and require a rate case when it would otherwise not be needed, thereby increasing customer rates due to both the new rule and the additional rate case.

7. Subsection (8) of the proposed rule contemplates variance requests. It is likely, however, that variances would soon swallow the rule. Also, the variance process itself would be an unnecessary burden, as there has been no showing of a need for the rule in the first place.
8. As noted in the Staff Motion to Establish Working Case filed herein, the Commission has been taking actions to streamline rules and lessen unnecessary administrative burdens in response to Executive Order 17-03. Yet, with no showing of a need for an affiliate transactions rule for small water and sewer utilities, Staff is proposing the creation of a new rule. The proposed rule is a solution in search of a problem.

WHEREFORE, Liberty Utilities respectfully submits these Initial Comments and looks forward to further discussion.

Respectfully submitted,

BRYDON, SWEARENGEN & ENGLAND, P.C.

By:

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CERTIFICATE OF SERVICE

I hereby certify that the above document was filed in EFIS on this 10th day of August, 2018, with notification of the same being sent to all parties of record.

/s/ Diana C. Carter