

Exhibit No.:
Issue: General Information
Witness: Jill Schwartz
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Liberty Utilities
Case No.: WR-2018-0170
Date Testimony Prepared: July 20, 2018

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

Rebuttal Testimony

of

Jill Schwartz

On behalf of

**Liberty Utilities (Missouri Water) LLC
d/b/a Liberty Utilities**

July 2018



REBUTTAL TESTIMONY
OF
JILL SCHWARTZ
LIBERTY UTILITIES (MISSOURI WATER) LLC.
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
FILE NO. WR-2018-0170

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1 **I. WITNESS, COMPANY AND ISSUE INTRODUCTION**

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

3 A. My name is Jill Schwartz. My business address is 602 South Joplin Avenue, Joplin, MO
4 64802.

5 **Q. ARE YOU THE SAME JILL SCHWARTZ WHO PREVIOUSLY FILED DIRECT
6 TESTIMONY IN THIS PROCEEDING ON BEHALF OF LIBERTY UTILITIES?**

7 A. Yes, I am.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS
9 CASE?**

10 A. The purpose of my rebuttal testimony is to respond to a number of the recommendations
11 made or positions taken by the Staff of the Missouri Public Service Commission (“Staff”)
12 and to the direct testimony of Mr. Don Allsbury filed on behalf of the Ozark Mountain
13 Condominium Association (“OMCA”).

14 **II. RATE CASE EXPENSE**

15 **Q. DID STAFF IDENTIFY ANY ISSUES WITH RATE CASE EXPENSE FOR THIS
16 CASE?**

17 A. Yes. In the direct testimony of Staff Witness Harrison, Staff indicated that at the time of
18 their prefiled direct testimony the Company had only provided Staff a spreadsheet

1 reflecting rate case expenses of \$1,409 and noted that they had not received any invoices
2 to support the costs reflected in the spreadsheet.

3 **Q. HAS THE COMPANY PROVIDED A SUPPLEMENTAL RESPONSE TO**
4 **STAFF’S DATA REQUEST FOR RATE CASE EXPENSES?**

5 A. Yes. On July 17, 2018 the Company filed a supplemental response to Data Request No.
6 0016, including an updated spreadsheet reflecting costs incurred for services rendered
7 through April 2018 and recorded in the general ledger as of May 2018, as well as copies
8 of the supporting invoices.

9 **Q. WILL THE COMPANY CONTINUE TO SUPPLEMENT ITS RESPONSE**
10 **REGARDING RATE CASE EXPENSE?**

11 A. Yes. As the Company continues to incur and record costs associated with this rate case,
12 we will provide updates to Data Request No. 0016.

13 **Q. HOW MUCH RATE CASE EXPENSE HAS THE COMPANY RECORDED AS**
14 **OF MAY 2018?**

15 A. The Company is mindful of the costs of rate cases and has worked hard to keep rate case
16 expenses low given the small customer base in this case. As reflected in the Company’s
17 supplemental response to Data Request No. 0016, the Company has incurred \$20,517 for
18 services rendered as of April 2018.

19 **III. NARUC USOA COMPLIANCE**

20 **Q. WHAT ISSUE DID STAFF IDENTIFY CONCERNING THE NATIONAL**
21 **ASSOCIATION OF REGULATORY UTILITIES COMMISSION (“NARUC”)**
22 **UNIFORM SYSTEM OF ACCOUNTS (“USOA”)?**

1 A. Staff Witness Harrison stated that the Company is not maintaining its books and records
2 in accordance with the version of the NARUC USOA adopted by the Missouri Public
3 Service Commission (“Commission”) and in doing so, creates consistency and accuracy
4 of accounting issues because accounting data required under the 1996 version of the
5 USOA being used by the Company may be different from the older version adopted by
6 the Commission.

7 **Q. DID STAFF MAKE A RECOMMENDATION REGARDING THIS ISSUE?**

8 A. Yes. Staff recommends that the Company maintain its books and records in accordance
9 with the version of the NARUC USOA adopted by the Commission.

10 **Q. DOES THE COMPANY AGREE WITH STAFF’S RECOMMENDATION?**

11 A. In general, the Company is agreeable to begin maintaining the books and records of
12 Liberty Utilities (Missouri Water) LLC in accordance with the older version of the
13 NARUC USOA adopted by the Commission. However, in order to ensure that the
14 conversion is properly planned and executed, the Company requests a reasonable amount
15 of time to adopt the Commission’s preferred version of the NARUC USOA.

16 **Q. WHAT DOES THE COMPANY RECOMMEND AS A REASONABLE AMOUNT
17 OF TIME TO MAKE THIS TRANSITION?**

18 A. The Company commits to maintain its books and records in accordance with the
19 Commission’s adopted version of the NARUC USOA prior to filing its next rate case.

20 **IV. OUTSIDE SERVICES/CONTRACT MAINTENANCE**

21 **Q. DOES STAFF HAVE CONCERNS ABOUT THE COSTS INCURRED FOR
22 OUTSIDE SERVICES/CONTRACT MAINTENANCE?**

1 A. In his direct testimony, Mr. Harrison notes that the Company utilizes outside contractors
2 to perform water/wastewater operator functions, meter reading, maintenance and
3 operation duties for all of its systems except Noel, which is operated by Company
4 employees. Staff recommends that the Company perform a cost-benefit analysis prior to
5 its next rate case to determine if it is more cost effective to hire and use in-house
6 employees instead of using outside contractors.

7 **Q. WHAT IS THE COMPANY’S RESPONSE TO STAFF’S RECOMMENDATION?**

8 A. The acquisitions of the Silverleaf and KMB water/wastewater systems in Missouri did
9 not include the acquisition of any employees and as such were operated by outside
10 contractors. Since then, Liberty Utilities expanded its operational footprint in Missouri
11 with the acquisitions of Liberty Utilities (Midstates Natural Gas) Corp. in 2012, The
12 Empire District Electric Company (“Empire”) in 2017, and Ozark International which
13 was approved by the Commission in 2018. In light of its increased operations in
14 Missouri, the close proximity of the Ozark Mountain water/wastewater system to other
15 water/wastewater systems owned and being acquired, as well as the Company’s ongoing
16 efforts to identify efficiencies and improve quality of service, in April 2018 the Company
17 terminated its contract with R K Water Operations LLC and began operating the Ozark
18 Mountain water/wastewater system with in-house employees. The Company is fully
19 committed to provide safe, reliable drinking water and wastewater services to customers
20 at reasonable and just rates and believes this is an important transition for this system.

21 **Q. DID STAFF PROVIDE ANY OTHER RECOMMENDATIONS REGARDING**
22 **CONTRACT SERVICES?**

1 A. Yes. Staff Witness Gateley recommended in his direct testimony that the Company
2 investigate, and where feasible, install chlorine monitoring equipment to reduce
3 operational costs, as well as other prudent opportunities to reduce operational costs.

4 **Q. WHAT IS THE COMPANY'S RESPONSE TO MR. GATELEY'S**
5 **RECOMMENDATION?**

6 A. As I mentioned above, the Company is always seeking to identify opportunities for
7 additional efficiencies. The Company is willing to work with Staff and the Department
8 of Natural Resources ("DNR") to identify and investigate options to monitor chlorine
9 levels remotely and reduce operational costs, while continuing to provide safe and
10 reliable service to our customers.

11 **V. STAFF'S RECOMMENDATION FOR A FUTURE RATE CASE**

12 **Q. DID STAFF PROVIDE A RECOMMENDATION REGARDING THE TIMING**
13 **OF THE COMPANY'S NEXT RATE CASE?**

14 A. Yes. Staff recommends that the Company file another rate case within 18-24 months of
15 the effective date of this proceeding to incorporate the acquisition of 900 additional
16 customers approved by the Commission in Case No. WM-2018-0023, as well as to
17 demonstrate the Company's compliance with the Commission's adopted version of the
18 NARUC USOA.

19 **Q. DOES THE COMPANY AGREE WITH STAFF'S RECOMMENDATION**
20 **REGARDING THE TIMING OF THE COMPANY'S NEXT RATE CASE?**

21 A. Yes.

VI. RATE DESIGN

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Q. DID STAFF PROVIDE A RECOMMENDATION ON RATE DESIGN IN THIS CASE?

A. Yes. Staff Witness Barnes recommended in his direct testimony that the Commission maintain the current water and sewer rate design.

Q. DOES THE COMPANY AGREE WITH STAFF'S RECOMMENDATION ON RATE DESIGN?

A. No. As stated on page 8 of my direct testimony in this case, the Company proposes to consolidate the customer rates for its KMB and Noel water customers and its KMB sewer customers. Additionally, as I discuss in my direct testimony, rate consolidation, or single-tariff pricing as addressed by Mr. Barnes, provides benefits to customers to spreading the cost of service over a larger customer base.

Q. DID STAFF PROVIDE AN ALTERNATIVE RATE DESIGN PROPOSAL?

A. Yes. As an alternative to maintaining the Company's current rate design, Staff recommends that the Commission consolidate the rates for Liberty's KMB water system.

Q. WOULD THE COMPANY BE AGREEABLE TO STAFF'S ALTERNATIVE RATE DESIGN PROPOSAL?

A. While the Company continues to support its rate design proposal in this case, it would be agreeable to consolidating the seven sets of rates for the KMB water systems.

VII. RESPONSE TO OMCA

Q. WHAT WAS THE NATURE OF THE DIRECT TESTIMONY PROVIDED BY OMCA?

1 A. The direct testimony of Mr. Don Allsbury, filed on behalf of OMCA, identified a list of
2 issues dating back to 2009.

3 **Q. WHAT IS THE NATURE OF THE ISSUES IDENTIFIED BY OMCA?**

4 A. In general, all of the issues identified by Mr. Allsbury relate to quality of service and
5 operational issues, primarily water main breaks and water pressure issues.

6 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE ISSUES IDENTIFIED BY
7 OCMA?**

8 A. As discussed earlier in my rebuttal testimony, prior to April 2018, Ozark Mountain was
9 primarily operated by an outside contractor, R K Water Operations LLC. In April 2018,
10 after several issues concerning the quality of service provided by R K Water Operations,
11 the Company made a decision to terminate its contract. The Ozark Mountain water and
12 wastewater system is now operated by Company employees. The Company's transition
13 to direct operation of its water and wastewater systems dates back to May 2017 when the
14 Company hired Mr. Paul Carlson to manage and operate its Missouri water/wastewater
15 systems. Both Mr. Carlson and the Company are committed to providing high quality,
16 safe, reliable service to the Company's water/wastewater customers in Missouri. As I
17 understand it, Mr. Carlson and Mr. Allsbury have been in communication on numerous
18 occasions and in February of 2018 met to review and walk through the issues identified
19 by OMCA, most of which date back many years in the past.

20 **Q. WHAT WAS THE OUTCOME OF THE MEETING BETWEEN MR. CARLSON
21 AND MR. ALLSBURY?**

22 A. While I was not present at that meeting, it is my understanding based on my
23 conversations with Mr. Carlson, as well as the fact that the issues identified and included

1 in Mr. Allsbury's direct testimony do not extend beyond January 2018, that the Company
2 has already made significant improvements in the quality of service provided and is
3 preparing a list and plan to remedy the issues and concerns raised by OMCA.
4 Specifically, Mr. Allsbury identified multiple issues and reports of water pressure issues.
5 As a result, the Company is currently installing generators in Ozark Mountain's
6 pressurized water system so that customers will continue to have water during power
7 outages. The Company anticipates that the installation of these generators will be
8 complete by the end of August 2018.

9 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

10 A. Yes, it does.

