

Exhibit No.:
Issues: Overview of application;
Staff Recommendation; and
Tariff and rate consolidation.
Witness: Jill Schwartz
Exhibit Type: Direct testimony
Sponsoring Party: Liberty Utilities (Missouri
Water) LLC
Case No. WM-2018-0023
Date: February 20, 2018

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. WM-2018-0023

DIRECT TESTIMONY OF

JILL SCHWARTZ

ON BEHALF OF

LIBERTY UTILITIES (MISSOURI WATER) LLC

DIRECT TESTIMONY

JILL SCHWARTZ

FILE NO. WM-2018-0023

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

2 A. My name is Jill Schwartz and my business address is 602 South Joplin Avenue, Joplin,
3 Missouri 64801.

4 **Q. Where are you employed, and what is your job title?**

5 A. I am employed by Liberty Utilities Services Corp. as the Senior Manager of Rates and
6 Regulatory Affairs for the Central Region.

7 **Q. Please describe your educational background and work experience.**

8 A. In 2001, I completed my Bachelor of Science in Accounting from the John E. Simon School
9 of Business at Maryville University in St. Louis, Missouri. I am currently pursuing a
10 Master of Science in Accounting. Prior to working for Liberty Utilities, I was employed
11 by The Boeing Company for approximately fourteen years in a variety of accounting
12 capacities, ensuring compliance with the Federal Acquisition Regulation Mandatory
13 Disclosure Rule and developing and delivering labor compliance training for all Boeing
14 employees.

15 **Q. What is the purpose of your direct testimony in this case?**

16 A. The purpose of my testimony is to support the joint application of Liberty Utilities
17 (Missouri Water) LLC (“Liberty Utilities”) and Ozark International, Inc. (“Ozark”)
18 (sometimes “the Joint Applicants”), which seeks a Commission order authorizing the sale
19 of Ozark’s water and sewer assets currently operated under six wholly-owned utility
20 subsidiaries – Bilyeau Ridge Water Company, LLC; Midland Water Company, Inc.; Moore

1 Bend Water Utility; Riverfork Water Company; Taney County Water, LLC; and Valley
2 Woods Utility (collectively “the Ozark Utilities”) – to Liberty Utilities. In addition, I will
3 address the *Staff Recommendation* filed on January 5, 2018.

4 **Q. Why has Liberty Utilities agreed to acquire the small water and sewer assets currently**
5 **owned and operated by the Ozark Utilities, and why do you believe approval of the**
6 **proposed transaction will not be detrimental to the public interest?**

7 A. The Commission is aware of the financial and operational challenges small water and sewer
8 utilities face trying to provide safe and reliable service to customers at affordable rates.
9 Liberty Utilities has expertise and experience in providing water and sewer services to
10 customers in Missouri service areas where it currently operates, and is fully qualified to
11 own and operate the assets it seeks to acquire from Ozark. And, because of the capital
12 investments required to satisfy federal and state environmental and safe water laws and
13 regulations both now and in the future, Liberty Utilities is in a better position to have or
14 gain access to funds necessary to maintain or improve service for customers of the Ozark
15 Utilities systems. For these reasons, the proposed transaction is not detrimental to the
16 public interest. In fact, Liberty Utilities’ acquisition of the Ozark Utilities’ assets likely will
17 prove to be beneficial to customers served by those utilities.

18 **Q. What is the Joint Applicants’ position on the *Staff Recommendation* filed in this case?**

19 A. With but one exception, which I will discuss later in my testimony, both Liberty Utilities
20 and Ozark support all recommendations made by Staff in its filing. The sole exception
21 concerns Staff’s rejection of Joint Applicants’ request to consolidate currently tariffed
22 rules, regulations, and rate schedules for the Ozark Utilities, the water and sewer utilities
23 Liberty Utilities currently owns and operates, or both.

1 Q. **Please explain why Liberty Utilities wants to consolidate currently tariffed rules,**
2 **regulations, and rates?**

3 A. Liberty Utilities currently serves approximately 2,400 water or sewer customers, with its
4 water customers being served under two different sets of tariffed rules and regulations and
5 ten separate rate schedules. The Ozark Utilities' systems currently provide water and sewer
6 service to customers under six different sets of tariffed rules and regulations and six
7 separate rate schedules. Without some consolidation of rules, regulations, and rates
8 following closing of the proposed transaction, Liberty Utilities would serve a total of
9 approximately **3,400** customers through **twelve** different sets of tariffed rules and
10 regulations and **eighteen** separate rate schedules. This would impose a significant
11 administrative burden on both Liberty Utilities and the Commission, and the potential for
12 operational and regulatory confusion and error. Both consequences could be avoided by
13 authorizing some type of tariff and rate consolidation.

14 Q. **Can you provide an example of the types of operational and customer service**
15 **problems that may result if tariffs and rates are not consolidated?**

16 A. Yes, I can. If the Commission approves the acquisition transaction proposed in this case,
17 after closing a single customer service representative will, at least initially, be responsible
18 for handling all customer inquiries and complaints from Liberty Utilities' water and sewer
19 customers. If, in addressing those inquiries and complaints, that customer service
20 representative is required to consult twelve separate sets of tariffed rules and regulations
21 and eighteen different rate schedules then the potential for an error will increase
22 significantly. The time required for each customer contact will also increase significantly.

1 This is inefficient and may lead to interactions between Liberty Utilities and its customers
2 that are not satisfactory to either party and fall below our customer service standards.

3 **Q. Have the Joint Applicants made any specific proposals to consolidate tariffs and rates**
4 **of the Ozark Utilities?**

5 A. Yes, we have. For Ozark’s sewer operations, the Joint Applicants proposed to adopt and
6 utilize the existing Valley Woods rates, rules, and regulations. For the acquired water
7 operations, the Joint Applicants proposed to use a single consolidated tariff containing rules
8 and regulations and a single consolidated water rate applicable to all the Ozark Utilities’
9 service areas. Appendix J to the Joint Application shows the proposed consolidated water
10 rate and how it was determined and is attached hereto as **Schedule JS-1**. And it should be
11 noted the proposed rate consolidation would be revenue neutral – i.e. it would not increase
12 overall annual revenue collected from the Ozark Utilities’ water customers above the level
13 the Commission determined was reasonable in those companies’ most recent rate case (File
14 No. WR-2015-0192).

15 **Q. Other than the operational issues identified above, are there other reasons that**
16 **consolidation makes sense for the systems to be acquired?**

17 A. Yes. Economies of scale are the only way to mitigate the impact of necessary investments
18 in water and sewer systems. None of the individual systems being acquired has more than
19 500 customers (and one has as few as 40 customers). Consolidating these systems for rate
20 purposes will provide a size dimension to the operations, such that improvements should
21 not result in as large an increase for any one system over time.

22 **Q. Do you believe the Liberty Utilities’ proposal to consolidate tariffs and rates is in the**
23 **public interest?**

1 A. Yes, I do. For the reasons I described previously in my testimony, consolidating tariffs and
2 rates will mitigate the significant burdens and inefficiencies that otherwise would exist
3 after closing of the transaction at issue in this case.

4 However, I believe showing a willingness to be flexible on this issue is in the public interest
5 for another reason. In a pending workshop docket – File No. WM-2017-0023 – the
6 Commission is looking into ways to financially incent larger and more stable utilities to
7 acquire small, financially or operationally-distressed water or sewer utilities. Liberty
8 Utilities supports those efforts, but suggests operational incentives are also important and
9 should be considered. As I have demonstrated in my testimony, without tariff and rate
10 consolidation, acquisition of the Ozark Utilities will impose significant operational burdens
11 on Liberty Utilities. Thinking “outside the box” on how to address that issue in this
12 proceeding would make the proposed acquisition of the Ozark Utilities much more
13 attractive to Liberty Utilities.

14 **Q. Does that conclude your direct testimony?**

15 A. Yes, it does.

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