Exhibit No.:

Issue: Energy Efficiency Regulatory

Asset and Amortizations; Rate Base Offset; Transition and Transaction Costs; Rents and

Lease Expense; Hannibal Shop

Witness: John P. Cassidy

Sponsoring Party: MoPSC Staff Type of Exhibit: Surrebuttal/True-up

Direct Testimony

Case No.: GR-2018-0013

Date Testimony Prepared: May 9, 2018

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY **OF** JOHN P. CASSIDY

LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP., d/b/a LIBERTY UTILITIES **CASE NO. GR-2018-0013**

> Jefferson City, Missouri May 2018

1 SURREBUTTAL / TRUE-UP DIRECT TESTIMONY 2 OF JOHN P. CASSIDY 3 4 LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP., d/b/a LIBERTY UTILITIES 5 6 CASE NO. GR-2018-0013 7 8 Q. Please state your name and business address. John P. Cassidy, 111 North 7th Street, Suite 105, St. Louis, MO 63101. 9 A. 10 Q. By whom are you employed and in what capacity? 11 I am employed by the Missouri Public Service Commission (Commission) as A. 12 a Utility Regulatory Auditor V. 13 Q. Are you the same John P. Cassidy that sponsored sections in Staff's Cost of 14 Service Report (Staff Report) and Appendix 3 attached to the Staff Report that was filed on 15 March 2, 2018. 16 A. Yes. **EXECUTIVE SUMMARY** 17 18 0. Please provide a brief summary of your surrebuttal / true-up direct testimony 19 in this proceeding. 20 A. surrebuttal testimony will address the rebuttal Mvtestimony 21 Liberty Midstates – MO witness Jill Schwartz with regard to the Hannibal Shop Building and 22 affiliate lease. My surrebuttal testimony will also address Staff's true-up audit results with regard to the following seven issues: (1) energy efficiency regulatory asset; (2) energy 23 24 efficiency amortizations; (3) energy efficiency and residential low income weatherization

funding included in rates; (4) rate base offset from Case No. GM-2012-0037; (5) transition and transaction disallowance from Case No. GR-2014-0152; (6) Hannibal shop utility expense and (7) rents and lease expenses.

HANNIBAL SHOP AND AFFILIATE LEASE

- Q. Beginning at page 36, line 17 and continuing through page 38, line 3, Liberty Midstates MO witness Jill Schwartz, in her rebuttal testimony, provides an explanation of steps that will be taken to address Staff's concerns regarding the Hannibal Shop previously expressed in the Staff Report. Please respond.
- A. Staff has discussed this issue with Liberty Midstates MO and now recommends that the Hannibal Shop costs be included in the cost of service calculation subject to the following conditions being met on or before November 15, 2018:
- A survey of the land that the shop is attached to and that will be transferred to
 Liberty Midstates MO shall be completed;
- 2. Ownership and title to the land that the shop is attached to shall be transferred to Liberty Midstates MO;
- 3. An easement shall be granted to Liberty Midstates MO to provide full and unencumbered access to the shop at all times;
- 4. The land that the shop is attached to shall be transferred at a reasonable cost to Liberty Midstates MO;
- 5. The affiliate lease shall acknowledge that Liberty Midstates MO has exclusive ownership of the Hannibal Shop and land that the building is attached to as well as an easement to access the facility at all times;

6. Within two weeks of completion of each separately listed item above, Liberty Midstates – MO shall provide all documentation demonstrating the completion of each of these conditions to the Chief Staff Counsel and Utility Regulatory Manager of Auditing.

Staff is agreeable to allowing Liberty Midstates – MO approximately six months from the date of this filing to complete all of the necessary actions to resolve this matter consistent with Liberty Midstates – MO's witness Jill Schwartz request found on page 37, lines 18 through 27 of her rebuttal testimony.

In the absence of a stipulation and agreement to resolve all of these issues, Staff requests that the Commission order Liberty Midstates – MO to comply with these conditions in order to receive rate base treatment for the Hannibal Shop.

TRUE-UP AUDIT

ENERGY EFFICIENCY AND RESIDENTIAL LOW INCOME WEATHERIZATION ASSISTANCE REGULATORY ASSET BALANCES

- Q. Has Staff trued-up the energy efficiency regulatory asset balances through March 31, 2018?
- A. Yes. Staff has included two energy efficiency regulatory asset balances in rate base based upon their respective balances at March 31, 2018. The first energy efficiency regulatory asset balance reflects the March 31, 2018 unamortized portion of the energy efficiency regulatory asset that was established in Liberty Midstates MO's prior rate case, Case No. GR-2014-0152. The second energy efficiency regulatory asset balance represents all eligible energy efficiency and low income weatherization spending that has occurred between the March 31, 2014 cut-off in the prior rate case through March 31, 2018 true-up

cutoff in the current rate case. This balance represents all eligible spending over and above the \$150,000 annual amount that was approved by the Commission for inclusion in rates in Case No. GR-2014-0152. This balance also reflects the exclusion of approximately \$17,000 that was previously described on page 20 of the Staff Report. Liberty Midstates – MO witness Nathaniel W. Hackney indicated that he agreed with Staff's exclusion of this amount on page 13, lines 6 through 18 of his rebuttal testimony.

ENERGY EFFICIENCY AMORTIZATIONS

- Q. As part of its true-up audit, how has Staff addressed the amortizations for the two energy efficiency regulatory assets previously discussed?
- A. For the energy efficiency amortization that was established in Case No. GR-2014-0152, Staff proposes no further changes to its position as previously described on page 78 of Staff's Report. With regard to the energy efficiency regulatory asset balance for all eligible spending that was deferred between April 1, 2014 through March 31, 2018, as previously discussed in this surrebuttal testimony, Staff proposes to amortize this balance over six years beginning with the effective date of rates in this rate case. The treatment is consistent with the *Revised Partial Stipulation and Agreement As to Certain Issues* that was approved by the Commission in Case No. GR-2014-0152.

ENERGY EFFICIENCY AND RESIDENTIAL LOW INCOME WEATHERIZATION ASSISTANCE FUNDING LEVEL

Q. What level of energy efficiency costs has Staff included in the cost of service calculation?

A. Staff has included \$150,000 in the cost of service calculation, \$105,000 of which is funding for the residential low income weatherization assistance program. This level of funding included in the cost of service calculation is consistent with Staff witness Brad J. Fortson's recommendation found in his rebuttal testimony beginning on page 3, line 20 and continuing through page 4, line 22, as well as in his surrebuttal testimony on page 4, line 21 and continuing through page 5, lines 1 through 2.

RATE BASE OFFSET FROM CASE NO. GM-2012-0037

- Q. Has Staff reflected a March 31, 2018 rate balance for the rate base offset that was established in Case No. GM-2012-0037?
- A. Yes. Staff has reflected the March 31, 2018 balance of this rate base offset in Staff's true-up cost of service calculation.

TRANSITION AND TRANSACTION COSTS FROM CASE NO. GR-2014-0152

- Q. Has Staff re-examined the transition and transaction costs issue as part of its true-up audit?
- A. Yes. These costs represent amounts that were appropriately excluded from the determination of rates in the prior rate case but had not yet been removed from Liberty's property records. As part of the true-up audit, Staff has made adjustments to remove the capitalized transition and transaction cost plant balances and corresponding depreciation reserve balances that existed at the March 31, 2018, true-up cutoff as established by the Commission in this rate case.

| 1 | HANNIBAL SHOP UTILITY EXPENSE |
|----|--|
| 2 | Q. Has Staff annualized the utility costs associated with the new Hannibal Shop? |
| 3 | A. Yes. The new Hannibal shop receives electric service from the City of |
| 4 | Hannibal, Board of Public Works and takes gas service from Liberty Utilities Midstates - |
| 5 | MO. Staff has reflected an annualized level of electric and gas utility costs to address the |
| 6 | fact that the new Hannibal shop space will result in additional gas heating and lighting |
| 7 | expense on a going forward basis. |
| 8 | |
| 9 | RENTS AND LEASE EXPENSE |
| 10 | Q. Has Staff re-examined rents and lease agreements through the March 31, 2018 |
| 11 | true-up cutoff? |
| 12 | A. Yes. Staff has reviewed these agreements and reflected all contractual |
| 13 | changes in rents and lease expense that have occurred through March 31, 2018. |
| 14 | Q. Does this conclude your surrebuttal / true-up direct testimony? |
| 15 | A. Yes, it does. |

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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|) | Case No. GR-2018-0013 |
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AFFIDAVIT OF JOHN P. CASSIDY

| STATE OF MISSOURI |) | |
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| CITY OF ST. LOUIS | .) | |

COMES NOW JOHN P. CASSIDY and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony and True-Up Direct Testimony, and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

JOHN/P. CASSIDY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this day of May, 2018.

LISA M. FERGUSON Notary Public - Notary Seal State of Missouri Commissioned for St. Louis County My Commission Expires: June 08, 2020 Commission Number: 16631502

Notary Public