

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

4 **HANNIBAL SHOP AND AFFILIATE LEASE**

5 Q. Beginning at page 36, line 17 and continuing through page 38, line 3,
6 Liberty Midstates – MO witness Jill Schwartz, in her rebuttal testimony, provides an
7 explanation of steps that will be taken to address Staff’s concerns regarding the Hannibal
8 Shop previously expressed in the Staff Report. Please respond.

9 A. Staff has discussed this issue with Liberty Midstates - MO and now
10 recommends that the Hannibal Shop costs be included in the cost of service calculation
11 subject to the following conditions being met on or before November 15, 2018:

12 1. A survey of the land that the shop is attached to and that will be transferred to
13 Liberty Midstates – MO shall be completed;

14 2. Ownership and title to the land that the shop is attached to shall be transferred
15 to Liberty Midstates – MO;

16 3. An easement shall be granted to Liberty Midstates – MO to provide full and
17 unencumbered access to the shop at all times;

18 4. The land that the shop is attached to shall be transferred at a reasonable cost to
19 Liberty Midstates – MO;

20 5. The affiliate lease shall acknowledge that Liberty Midstates – MO has
21 exclusive ownership of the Hannibal Shop and land that the building is attached to as well as
22 an easement to access the facility at all times;

1 cutoff in the current rate case. This balance represents all eligible spending over and
2 above the \$150,000 annual amount that was approved by the Commission for inclusion in
3 rates in Case No. GR-2014-0152. This balance also reflects the exclusion of approximately
4 \$17,000 that was previously described on page 20 of the Staff Report. Liberty Midstates –
5 MO witness Nathaniel W. Hackney indicated that he agreed with Staff’s exclusion of this
6 amount on page 13, lines 6 through 18 of his rebuttal testimony.

7
8 **ENERGY EFFICIENCY AMORTIZATIONS**

9 Q. As part of its true-up audit, how has Staff addressed the amortizations for the
10 two energy efficiency regulatory assets previously discussed?

11 A. For the energy efficiency amortization that was established in Case
12 No. GR-2014-0152, Staff proposes no further changes to its position as previously described
13 on page 78 of Staff’s Report. With regard to the energy efficiency regulatory asset balance
14 for all eligible spending that was deferred between April 1, 2014 through March 31, 2018, as
15 previously discussed in this surrebuttal testimony, Staff proposes to amortize this balance
16 over six years beginning with the effective date of rates in this rate case. The treatment is
17 consistent with the *Revised Partial Stipulation and Agreement As to Certain Issues* that was
18 approved by the Commission in Case No. GR-2014-0152.

19
20 **ENERGY EFFICIENCY AND RESIDENTIAL LOW INCOME WEATHERIZATION**

21 **ASSISTANCE FUNDING LEVEL**

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

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

7
8 **RATE BASE OFFSET FROM CASE NO. GM-2012-0037**

9 Q. Has Staff reflected a March 31, 2018 rate balance for the rate base offset that
10 was established in Case No. GM-2012-0037?

11 A. Yes. Staff has reflected the March 31, 2018 balance of this rate base offset in
12 Staff's true-up cost of service calculation.

13
14 **TRANSITION AND TRANSACTION COSTS FROM CASE NO. GR-2014-0152**

15 Q. Has Staff re-examined the transition and transaction costs issue as part of its
16 true-up audit?

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

23

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.

