

1. My name is Keri Roth and I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Public Utility Accountant III.
2. Liberty Utilities (Missouri Water), LLC (“Liberty” or the “Company”) and the Staff of the Missouri Public Service Commission (“Staff”) executed and filed a Non-Unanimous Stipulation and Agreement (“S&A”) in this case on August 3, 2018.
3. I worked on this case on behalf of OPC particularly in its cost of service aspects.
4. Staff and Liberty have filed a S&A which states a black box revenue requirement increase of \$818,000 (a 92.4% increase) for Liberty’s water system operations and a black box revenue requirement increase of \$196,782 (a 75.8% increase) for Liberty’s sewer system operations.¹ The S&A lacks a specified capital structure to which the agreed upon ROE of 9.75% would apply.
5. This affidavit is in response to the S&A, specifically addresses OPC opposition to the signatories’ request for the Commission approving the specific term contained in 1. C.:

“Return on Equity: For purposes of calculating the revenue requirements, the Signatories agree to a return on equity (ROE) of 9.75%.”

OPC opposes the signatories’ request in paragraph 18 requesting “that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement”

6. The reason for OPC’s opposition is that condition is incomplete as it fails to place the (ROE) in context of the equity ratio to which it is applied.
7. Without announcing what capital structure the ROE is being applied to, the Commission cannot compare the terms of the S&A and the parties’ pre-filed testimony.
8. Liberty’s original position on ROE is contrary to what it is agreeing to in the S&A. Liberty witness, Ms. Jill Schwartz, provided in direct testimony, “The Company’s request was calculated using a capital structure including 53.00% equity capital and an ROE of 10.25%.”²
9. Staff’s original position on ROE is contrary to what it is agreeing to in the S&A. Staff witness, Mr. David Murray, provided in substitute rebuttal testimony, “Staff recommends a 10.00% ROE and a capital structure of 42.83% equity and 57.17% debt for Liberty Water.”³
10. Liberty and Staff have requested the Commission approve the condition in the Non-Unanimous Stipulation and Agreement for a ROE of 9.75% without identifying to the Commission the equity percentage used to reach the settled amount with filed testimony using equity percentage ranging from 42.83% to 53.00% in filed testimony.
11. A ROE of 9.75% is lower than both Staff and Liberty’s proposed ROE recommendations.

¹ Non-Unanimous Stipulation and Agreement, page 1, paragraph 1.A.

² Liberty witness Jill Schwartz, direct testimony, page 6, lines 14 – 15

³ Staff witness David Murray, substitute rebuttal testimony, page 3, lines 1 – 2

12. A ROE of 9.75% does not fall within Liberty's requested ROE range of 9.90% to 10.35%.⁴ This range is consistent with Liberty's proposal in the Liberty Utilities (Midstates Natural Gas) Corp.'s rate case numbered GR-2018-0013.⁵
13. A ROE of 9.75% *does* fall within Staff's calculated ROE range of 9.50% to 10.00%, which was provided to the parties at Day 90 of the Small Utility Rate Case Timeline on March 29, 2018, as part of Staff's initial audit. Please see Schedule KNR-1 attached to this affidavit.
14. Staff witness, Mr. Paul R. Harrison, attached to his direct testimony Schedule PRH-d2, Staff's *Review and Audit of Liberty Utilities Water and Sewer* memo, which describes Staff's position on capital structure to consist of 42.83% equity.⁶
15. Assuming Staff's capital structure and the agreed upon ROE of 9.75% (which falls within Staff calculated ROE range of 9.50% to 10.00%), a ROE equivalent to Liberty's capital structure of 53.00% would be approximately 7.88%. This is calculated by multiplying the 9.75% ROE by Staff's 42.83% equity and dividing the result by Liberty's 53.00% equity.
16. It would be appropriate for the Commission to apply Staff's capital structure to the agreed upon ROE of 9.75%, as it falls within Staff's ROE range provided to the parties on March 29, 2018.
17. An ROE of 9.75% does not support Liberty's position on capital structure which includes 53.00% equity capital.
18. The Commission is not receiving a clear picture from Staff and Liberty by excluding the capital structure from the S&A. Including only the ROE is meaningless. OPC will not sign a stipulation and agreement that does not provide the Commission with all relevant information regarding the condition the Signatories request the Commission approve.

⁴ Liberty witness Jill Schwartz, direct testimony, Schedule JMS-1, page 2, lines 19 – 20

⁵ Liberty witness Jill Schwartz, direct testimony, page 6, lines 15 – 17

⁶ Staff witness Paul R. Harrison, direct testimony, Schedule PRH-d2, page 2