

Exhibit No.:
Issue: Allocation of
Test Year Expenses
Witness: James R. Dittmer
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2018-0013
Date Testimony Prepared: April 13, 2018

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION

REBUTTAL TESTIMONY

OF

JAMES R. DITTMER

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.,
d/b/a LIBERTY UTILITIES**

CASE NO. GR-2018-0013

Jefferson City, Missouri
April 2018

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **JAMES R. DITTMER**

4 **LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.,**

5 **d/b/a LIBERTY UTILITIES**

6 **CASE NO. GR-2018-0013**

7 Q. Please state your name and address.

8 A. My name is James R. Dittmer. My business address is P.O. Box 481934,
9 Kansas City, Missouri 64148.

10 Q. By whom are you employed?

11 A. I am a Senior Regulatory Consultant with the firm of Utilitech, Inc.,
12 a consulting firm engaged primarily in utility rate work.

13 Q. On whose behalf are you appearing?

14 A. Utilitech, Inc. has been retained by the Staff of the Missouri Public Service
15 Commission (“MoPSC”) to review certain elements of Liberty Midstates – MO’s base rate
16 application. Thus, my appearance in this proceeding is on behalf of the MoPSC Staff.

17 Q. Are you the same James R. Dittmer who authored the section of the Staff’s
18 Cost of Service Report titled “Upstream Service Affiliates’ Ownership, Governance and
19 Corporate/Business Services Costs” in this case?

20 A. Yes.

21 Q. Were your qualifications and professional experience included with the Staff
22 Report filed in this case on March 2, 2018?

23 A. Yes.

1 Q. What is the purpose of your testimony?

2 A. Liberty Midstates - MO has proposed to adjust test year actual expenses
3 charged to it by the following five upstream service affiliates:

- 4 • Algonquin Power & Utilities Corp (“APUC”)
- 5 • Liberty Utilities (Canada) Corp (“LUC”)
- 6 • Liberty Algonquin Business Services (“LABS”)
- 7 • Liberty Utilities Service Corp (“LUSC”)
- 8 • ELABS, Central Regional Office

9 Liberty Midstates - MO has proposed to adjust test year actual expenses charged by each of
10 the noted five upstream service affiliates by reflecting 2018 budgeted costs from each service
11 affiliate. The purpose of this testimony is to rebut Liberty Midstates – MO’s proposal to
12 reflect 2018 budgeted expenses from the noted service affiliates.

13 Q. Please state why Staff is opposing Liberty Midstates – MO’s proposed
14 reflection of 2018 budgeted expenses from Upstream Service Affiliates.

15 A. First, Staff has only on a few occasions, which were accompanied by a unique
16 set of facts, developed test year expense recommendations based upon budgeted data. Staff
17 regularly develops test year expense levels by considering actual data that it will adjust based
18 upon fixed, known and measurable events.

19 Second, and more importantly, Liberty Midstates - MO has never provided any
20 detailed support for its 2018 budgeted service affiliates’ expenses which it employed to adjust
21 test year actual charges from the five noted service affiliates. Liberty Midstates - MO has
22 never provided detailed support for budgeted 2018 upstream service affiliates’ expense

1 notwithstanding numerous data requests submitted, and notwithstanding the fact that Staff has
2 raised the Company's failure to provide 2018 budgeted data in a discovery conference held on
3 February 6, 2018.

4 Q. Please expand upon data requests that were submitted that sought 2018 budget
5 support - to which the Company has never adequately responded.

6 A. In early-to-mid December 2017 the following three requests for 2018 budgeted
7 information for APUC, LUC, and LUSC were submitted:

8 Data Request No. 0139 (Issued December 8, 2017)

9 Please provide budgeted 2016 and 2017 Algonquin Power & Utilities
10 Corp corporate/shared services costs by Type of Cost, and budgeted
11 2018 Algonquin Power & Utilities Corp corporate/shared services costs
12 by Type of Cost as soon as available.

13 Data Request No. 0155 (Issued December 8, 2017)

14 Please provide budgeted 2016, 2017 and 2018 (when available) LUC
15 costs by Type of Cost categories delineated within CAM Table 4a:
16 Summary of Corporate Allocation Method of LUC Business Services
17 Indirect Costs and Table 4b: Summary of Corporate Allocation Method
18 of LUC Corporate Services Indirect Costs.

19 Data Request No. 0173 (Issued December 12, 2017)

20 Please provide budgeted 2016, 2017, and 2018 (when available) LUSC
21 costs by categories delineated within CAM Table 5 -List of Shared
22 Services provided by Liberty Utilities Service Corp.

23 In its response to Staff Data Request No. 0139, the Company indicated that it "does not
24 budget APUC corporate/shared services by Type of Cost," and went on to reference the
25 Company's response to Staff Data Request No. 0138 for the APUC costs included in the
26 annual Liberty Utilities (Midstates Natural Gas) Corp. budgets for its Missouri operations.
27 A review of the Company's response to Staff Data Request 0138 reveals that the Company

1 has not provided any “total” 2018 budgeted APUC shared services before allocation/direct
2 assignment to Liberty Midstates - MO or any other benefiting downstream affiliates.

3 In its response to Staff Data Request Nos. 0155 and 0173, the Company referenced a
4 budget variance spreadsheet report that had been prepared for years 2015 through 2017.
5 The referenced spreadsheet provides budgeted and actual information for years 2015, 2016,
6 and 2017 for APUC, LABS, LUC, LUSC, and ELABS. However, no budgeted information
7 of any kind was presented for calendar year 2018.

8 Q. Did Staff submit follow up requests seeking support for the 2018 budgeted
9 expenses from Upstream Service Affiliates that underlie the Company’s rate case request?

10 A. Yes. On December 26, 2017, Staff issued Data Request Nos. 0201, 0202, and
11 0203. The three requests sought detailed “total entity” 2018 budgeted APUC, LUC, LUSC,
12 LABS, and ELABS costs, before direct assignment or allocation to benefiting entities.
13 The responses to the three-noted requests each indicated that the Company’s CAM
14 Adjustment 14 (i.e., the Company’s upstream service affiliates’ adjustment) did not reflect
15 any changes in direct service affiliate charges. Staff’s review of other information provided
16 regarding charges from upstream service affiliates reveals that – contrary to the assertion
17 made when responding to Staff Data Request Nos. 0201, 0202, and 0203 - the Company’s
18 service affiliates’ adjustment does, in fact, include adjustments for direct charges from
19 upstream service affiliates.

20 The Company’s responses to the three-noted requests also refer to the same budget
21 variance report for years 2015 through 2017 that had been provided in response to Staff Data
22 Request Nos. 0155 and 0173. Or in short, once again the Company points to 2015 – 2017

1 budgeted and historic-actual expenses, but provides no support for its 2018 budgeted
2 upstream service affiliates' costs.

3 Q. Has the Staff communicated to the Company that it does not believe that the
4 Company has adequately provided any support for its 2018 budgeted Upstream Service
5 Affiliates' costs?

6 A. Yes, on several occasions. Specifically and most importantly, within the
7 discovery conference held on February 6, 2018, Staff indicated that it could not observe
8 where the Company had provided any support for 2018 budgeted upstream service affiliates
9 expense – and requested that the Company supplement its response to a number of
10 2018-budget-related data requests.

11 Q. In an earlier answer you indicated that Staff has only on very rare occasions
12 employed a budget to calculate adjusted test year expense levels. If it was unlikely that Staff
13 would ever adopt 2018 budgeted expense levels for incorporation within its adjusted test year
14 retail cost of service recommendation, why do you have any interest in obtaining the 2018
15 budgeted information that Liberty Midstates - MO has thus far refused to provide?

16 A. Staff routinely seeks budgeted information as one tool to assist in assessing
17 the reasonableness of any applicant's request for an "adjusted" test year revenue, expense, or
18 rate base request. If budgeted information does not align with a utility rate applicant's
19 "adjusted test year" request for any cost of service component, additional discovery can be
20 submitted that may either explain or reconcile an apparent discrepancy, or in some instances,
21 become additional support for determining the "unreasonableness" of an applicant's request
22 for an "adjusted" test year level of revenues, expenses, or rate base.

1 In short, budgeted information is routinely sought as one more tool in the tool box
2 employed to test and research a utility applicant's base rate request.

3 Q. Please summarize your rebuttal testimony.

4 A. Staff opposes the Company's request to reflect 2018 budgeted information
5 regarding upstream service affiliates costs that are pushed down to Liberty Midstates - MO.
6 However, Staff's objection to the Company's request to reflect 2018 budgeted service
7 affiliates' expense is significantly magnified given the Company's steadfast refusal to
8 provide any support for the development of 2018 budgeted information that underlies the
9 Company's upstream service affiliates' adjustment (referenced as CAM Adjustment 14 in the
10 Company's filing).

11 Staff would have concerns with any applicant that would refuse to provide budgeted
12 information that overlaps a "true-up" period envisioned to be employed in a given rate case.
13 However, Staff finds it unacceptable that Liberty Midstates - MO would so steadfastly refuse
14 to provide detailed budgeted information, the basis on which its application is specifically
15 developed.

16 Q. Does this conclude your testimony?

17 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Liberty Utilities)
(Midstates Natural Gas) Corp. d/b/a) Case No. GR-2018-0013
Liberty Utilities' Tariff Revisions)
Designed to Implement a General Rate)
Increase for Natural Gas Service in the)
Missouri Service Areas of the Company)

AFFIDAVIT OF JAMES R. DITTMER

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

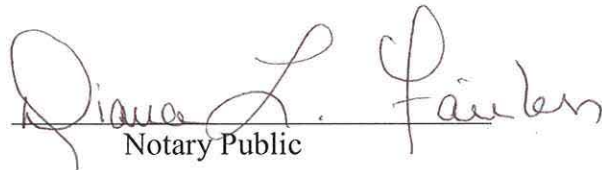
COMES NOW JAMES R. DITTMER and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal Testimony and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


JAMES R. DITTMER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Lee's Summit, on this 12th day of April 2018.


Notary Public

