

Exhibit No.: _____
Issues: Rate Case Overview, Introduction of
Witnesses
Witness: Michael D. Beatty
Type of Exhibit: Direct Testimony
Sponsoring Party: Liberty Utilities
(Midstates Natural Gas) Corp. d/b/a Liberty
Case No.: GR-2024-0106
Date Testimony Prepared: February 2024

**Before the Public Service Commission
of the State of Missouri**

Direct Testimony

of

Michael D. Beatty

on behalf of

Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty

February 9, 2024



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LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP. D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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1 **I. INTRODUCTION**

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

3 A. My name is Michael D. Beatty. My business address is 602 S. Joplin Avenue, Joplin,
4 Missouri, 64801.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Liberty Utilities Service Corp. (“LUSC”), as the President of Natural
7 Gas Operations for Liberty’s Central Region, which includes Liberty Utilities
8 (Midstates Natural Gas) Corp. (“Liberty” or the “Company”).

9 **Q. On whose behalf are you testifying in this proceeding?**

10 A. I am testifying on behalf of Liberty.

11 **Q. Please briefly describe the Company.**

12 A. The Company is a wholly-owned subsidiary of Liberty Utilities Co., which acquired it
13 from Atmos Energy Corporation (“Atmos”) along with the Atmos systems in
14 neighboring states. The Company has 70 direct Missouri employees¹ and provides
15 natural gas service to approximately 52,711 customers in the west, northeast, and
16 southwest portions of Missouri.

17 **Q. Please describe your educational background.**

18 A. I hold a Bachelor of Science degree in Mechanical Engineering from the Missouri
19 University of Science and Technology (formerly, University of Missouri-Rolla).

¹ As of December 31, 2022, includes Midstates MO only.

1 **Q. Do you hold any professional licenses?**

2 A. Yes, I am licensed as a Professional Engineer in Missouri, Colorado, Kansas, Iowa,
3 Illinois, South Carolina, Tennessee (inactive), and Virginia.

4 **Q. Please describe your professional experience.**

5 A. I have worked in the natural gas industry for 35 years, focusing on engineering and
6 operations. In 2012, I joined Liberty as the Sr. Manager of Engineering and
7 Compliance. In 2013, I was promoted to Director of Engineering and Compliance and
8 Supply. In 2015, I was made President. In 2017, I became the Vice President of
9 Natural Gas and Water for the Liberty Central Region. In July 2023, I became
10 President of Natural Gas for Liberty’s Central Region. Prior to my work serving the
11 gas utilities within Central Region, I worked for Atmos in Colorado and Tennessee and
12 also for South Carolina Electric and Gas. I am actively engaged with industry
13 organizations such as the American Gas Association (“AGA”), Midwest Energy
14 Association (“MEA”), and Southern Gas Association (“SGA”). I had the honor of
15 serving on the AGA Distribution Infrastructure Government – Industry Team and also
16 served as the Chairman of the SGA Distribution Integrity Management Framework
17 Document, a joint effort between the SGA and the Northeast Gas Association. I am
18 currently a member of the MEA Board of Directors.

19 **Q. What are your principal responsibilities as the President of Natural Gas**
20 **operations for Liberty’s Central Region?**

21 A. I oversee and am responsible for natural gas utility operations in the states of Iowa,
22 Illinois, and Missouri.

23 **Q. Have you previously testified before the Missouri Public Service Commission**
24 **(“MPSC” or “Commission”) or before any other utility regulatory agency?**

1 A. Yes. I testified before the Commission in File Nos. GR-2014-0152 and GR-2018-0013.
2 I have also testified before the Iowa Utilities Board, the Illinois Commerce
3 Commission, and the Arkansas Public Service Commission.

4 **Q. What is the purpose of your Direct Testimony?**

5 A. My testimony provides an overview of our case. Among the topics I discuss are the
6 overall magnitude of our rate increase and its impact on customers, the important
7 investments whose costs necessitate that rates increase, the factors driving the
8 Company's operational costs to increase, and the measures we are taking to control
9 costs and to mitigate the impacts on customers. I also describe a number of tariff sheet
10 and ratemaking changes the Company is proposing. Finally, I introduce the other
11 witnesses representing Liberty in this proceeding and briefly summarize their
12 testimonies.

13 **II. RATE CASE OVERVIEW**

14 **Q. When was the Company's most recent base rate proceeding?**

15 A. Liberty's last general rate request was filed in 2018 and docketed as File No. GR-2018-
16 0013. The matter was resolved by Stipulation and Agreement among the parties that
17 resulted in new rates for the Company effective June 2018, increasing distribution
18 revenues by approximately \$4.6 million. This was the last time the Company's
19 distribution base rates were changed.

20 **Q. What increase is the Company requesting now?**

21 A. The Company is requesting authorization to implement an increase in rates sufficient
22 to increase its distribution revenues by approximately \$13.1 million. However,
23 \$1,944,044 of the base rate revenue deficiency is currently being recovered through the
24 Company's Infrastructure System Replacement Surcharge ("ISRS") tariff schedule,

1 which will be set to zero after this proceeding. As such, the net revenue increase is
2 approximately \$11,204,401. If approved, the typical NEMO residential customer bill
3 utilizing 54 CCF would increase by approximately 20.60%, WEMO residential
4 customer would be 16.60%, and a SEMO residential customer bill would increase by
5 28.00%. Derivation of the rate increase and its impacts on customer bills is discussed
6 in greater detail by Company witness Timothy S. Lyons.

7 **Q. Why is it necessary to increase distribution base rates at this time?**

8 A. The Company's request is needed to recover the cost of the investments the Company
9 has made on behalf of customers and the expenses it has incurred in order to maintain
10 a safe and reliable system. These include the costs of capital projects that have been
11 placed in service since the Company's last rate case, as well as increasing operational
12 costs.

13 **Q. What is Liberty doing to help mitigate the impacts on customers?**

14 A. The Company is acutely aware that rising energy costs have real impacts on our
15 customers. Some of the things we are already doing to try to mitigate those impacts
16 include proposing a consolidated revenue requirement to determine distribution base
17 rates which will help to reduce future rate case costs and create billing and customer
18 service efficiencies. Additionally, the Company has held its administrative and general
19 ("A&G") costs to a modest Compound Annual Growth Rate of 1.78% since 2018. In
20 addition, this rate case filing includes a proposal for changes to its low-income
21 customer assistance program that will minimize the administrative burden to assist our
22 most in need customers. Additionally, we are proposing to modify our Energy
23 Efficiency programs to help our customers save on their energy usage.

1 **Q. Can you please summarize the objectives of the Company’s capital spending**
2 **program?**

3 A. Yes. The investments that the Company has made and will continue to make will allow
4 us to modernize our network and systems, operate more efficiently, share more
5 information with our customers about their energy consumption, and continue to
6 maintain high levels of safety and reliability. In short, our spending program will help
7 us provide our customers in Missouri the level of service they deserve at affordable
8 rates.

9 **Q. What specific investments is the Company proposing in this proceeding?**

10 A. Through the end of December 2022, the Company has put more than \$62 million in
11 service to maintain the integrity of its system since its last rate case and is anticipating
12 placing another \$32.2 million during 2023. Within the 2023 planned investments the
13 Company is proposing to recover the cost of Customer First, an enterprise software
14 platform that will profoundly change the way we do business, create new efficiencies
15 across our organization, and allow us to share information with our customers in new
16 and exciting ways. Another major initiative, which has continued since the last rate
17 case, is the installation of Automated Meter Reading (“AMR”) meters which has helped
18 us reduce costs and operate smarter. Company witnesses Lauren Preston, Jeff
19 McChristian and Ron Snider provide further details on the Company’s various capital
20 investments since the last rate case.

21 **Q. Could the Company have recovered the costs of these investments without filing**
22 **a rate case?**

23 A. No. The Company can request authorization to recover the cost of certain infrastructure
24 investments made between rate cases through the ISRS, but only investments that

1 replace existing aged and obsolete infrastructure, that extend/enhance the life of system
2 components, or that arise from the need to relocate infrastructure based on a
3 government mandate.² Liberty can and does make use of the ISRS to recover the cost
4 of such projects and is formally requesting that the Commission allow it to continue
5 use of its ISRS rider. Since its last rate case, the Company has received the
6 Commission's approval three times to recover the cost of ISRS-eligible investments,
7 the most recent being in March 2023.³ But the need to make investments that would
8 not be eligible for ISRS recovery, along with rising operational costs, necessitates this
9 filing.

10 **Q. Why are the Company's operational costs increasing?**

11 A. Generally, the costs to run the business has increased since its last case despite the
12 Company's efforts to essentially maintain its A&G costs. The increase in other
13 operational costs is primarily due to it being over six years since the Commission has
14 authorized new distribution base rates for the Company. In those six years, the
15 Company has continued to invest in projects to serve our customers which has led to
16 higher annual depreciation expense and property taxes.

17 **Q. What is the Company doing to control rising costs?**

18 A. As mentioned previously, the Company has invested in capital projects such as AMR
19 to reduce meter reading costs; and our focus on pipeline replacement will target aging
20 infrastructure, which should reduce leaks and strengthen the reliability of the system.
21 Further, the Company has worked to continue to consolidate its operations and
22 processes across its entire service area to improve efficiencies.

² ISRS-eligible investments are more fully defined in Section 393.1009, RSMo.

³ File No. GT-2023-0229.

1 **Q. Is the Company proposing any other changes to its rates and tariff sheets?**

2 A. Yes, this rate case filing includes several proposed tariff enhancements. Aside from
3 our request to continue use of the ISRS Rider currently in effect, this filing includes a
4 proposal to consolidate its Southeast Missouri (“SEMO”), Western Missouri
5 (“WEMO”) & Northeast Missouri (“NEMO”) service areas, which will help to reduce
6 future rate case costs and create billing and customer service efficiencies. The
7 Company is also seeking to recover the regulatory asset established in accordance with
8 Senate Bill 745 to account for the variances in actual property tax expenses incurred by
9 the Company and the amounts included in customer rates. Additionally, Liberty is
10 proposing the treatment of a regulatory liability related to Excess Accumulated
11 Deferred Income Taxes (“EADIT”), and other changes to its tariffs.

12 **Q. Has the Company considered changes to its rate design?**

13 A. Yes. In its last rate case, the Company committed to analyzing the benefits of an
14 inclining block rate design and to making a recommendation of whether to implement
15 that structure in its next case. Based on the results of analyses undertaken since then,
16 the Company has determined not to propose the use of inclining block rates. Company
17 witness Timothy S. Lyons, an expert in rate design that the Company retained to lead
18 this effort, describes those analyses and the conclusions they support in his Direct
19 Testimony.

20 **III. INTRODUCTION OF WITNESSES**

21 **Q. Please identify the other Company witnesses presenting Direct Testimony in**
22 **support of this rate proceeding.**

23 A. In addition to my testimony, the Company is submitting the following testimony in this
24 proceeding:

- 1 • Meagan Grafton, Manager - Rates and Regulatory Affairs, on minimum filing
2 requirements;
- 3 • Charlotte Emery, Sr. Director - Rates and Regulatory Affairs, on revenue
4 requirement and expense adjustments;
- 5 • Lauren Preston, Vice President - Customer Care, on the Company's investment
6 in Customer First;
- 7 • Nate Hackney, Manager, Customer Assistance Programs, on a proposed
8 customer assistance program;
- 9 • Kimberly Dragoo, Director of Key Accounts and Energy Efficiency Programs,
10 on proposed changes to energy conservation and efficiency programs;
- 11 • Tatiana Earhart, Manager of Gas Supply Operations on proposed changes
12 Liberty's Natural Gas Transportation Tariff and School Transportation Service
13 Program Tariff;
- 14 • Ron Snider, Director - Regional Operations, on capital expenditures in SEMO;
- 15 • Jeff McChristian, Director - Gas Operations, on capital expenditures in
16 NEMO/WEMO;
- 17 • Michael McCuen, Director - U.S. Tax Planning & Strategy, on issues related to
18 EADIT;
- 19 • James Fallert of James Fallert Consultant LLC, on pension and other post-
20 employment benefit adjustments;
- 21 • Timothy S. Lyons of Scott Madden, on class cost of service, rate design and
22 cash working capital and his analysis of the use of inclining block rates;
- 23 • Dane Watson of Alliance Consulting Group, who is sponsoring a depreciation
24 study;

- 1 • John Cochrane of FTI Consulting, on the Company's cost of capital; and
2 • Eric Fox of Itron, on the weather normalization of the load data the Company
3 is using to set rates.

4 **Q. Does this conclude your Direct Testimony?**

5 **A. Yes, it does.**

VERIFICATION

I, Michael D. Beatty, under penalty of perjury, on this 9th day of February, 2024,
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Michael D. Beatty