

Exhibit No.: _____
Issues: Revenue Requirement
Witness: Cindy S. Wilson
Type of Exhibit: Direct Testimony
Sponsoring Party: Liberty Utilities
(Missouri Water) LLC d/b/a Liberty
Case Nos.: WR-2024-0104 and
SR-2024-0105
Date Testimony Prepared: March 2024

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

Direct Testimony

of

Cindy S. Wilson

on behalf of

Liberty Utilities (Missouri Water) LLC d/b/a Liberty

March 13, 2024



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LIBERTY UTILITIES (MISSOURI WATER) LLC D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NOS. WR-2024-0104 and SR-2024-0105

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1 **I. INTRODUCTION**

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

3 A. My name is Cindy S. Wilson. My business address is 602 South Joplin Avenue, Joplin,
4 Missouri.

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

6 A. I am employed by Liberty Utilities Service Corp. (“LUSC”), as the Director of Rates
7 and Regulatory Affairs for the Liberty Central Region, which includes the water and
8 wastewater operations of Liberty Utilities (Missouri Water) LLC d/b/a Liberty
9 (“Liberty” or the “Company”).

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

11 A. I am testifying on behalf of Liberty.

12 **Q. Please describe your educational and professional background.**

13 A. I graduated from Washburn University, Topeka, Kansas, in 1995 with an accounting
14 degree. I have obtained my Certified Public Accountant, Certified Internal Auditor, and
15 Certified Risk Management Assurance certifications. I also obtained my master’s in
16 business administration (MBA) in 2007 from Washburn University. I worked almost
17 22 years for Westar/Evergy serving in multiple roles, including: Executive Director
18 Internal Audit, Director Compliance, Director Regulatory, Director IT Process,
19 Director HR as well as individual contributor roles in internal audit and supply chain.
20 Prior to this, I worked as an accountant at Koch Industries for two years and also served
21 as Vice President, Controller at American Home Life Insurance for three years. In

1 February 2023, I assumed my current role as Director of Rates and Regulatory Affairs
2 at Liberty.

3 **Q. Have you previously testified before the Missouri Public Service Commission**
4 **(“Commission”) or any other regulatory agency?**

5 A. This is my first time filing testimony before the Commission. However, I have
6 previously submitted testimony before the Kansas Corporation Commission and the
7 Arkansas Public Service Commission.

8 **Q. What is the purpose of your direct testimony in this proceeding?**

9 A. My direct testimony serves several purposes. First, I provide and explain the bases for
10 the Company’s overall revenue requirement and cost to serve its retail water and
11 wastewater customers in Missouri. I also support several rate base and income
12 statement pro forma adjustments.

13 **Q. Are you sponsoring any schedules with your testimony?**

14 A. Yes. I am sponsoring the following schedules:

Direct Schedule	Description
Direct Schedule CSW-1	Revenue Requirement Summary
Direct Schedule CSW-2	Rate Base Summary
Direct Schedule CSW-3	Rate Base Adjustment Summary
Direct Schedule CSW-3.1	Plant in Service
Direct Schedule CSW-3.2	Accumulated Depreciation/Amortization
Direct Schedule CSW-3.3	Cash Working Capital
Direct Schedule CSW-3.4	Prepayments
Direct Schedule CSW-3.5	Materials, Supplies & Inventory
Direct Schedule CSW-3.6	Customer Deposits
Direct Schedule CSW-3.7	Customer Advances
Direct Schedule CSW-3.8	CIAC
Direct Schedule CSW-3.9	Regulatory Assets
Direct Schedule CSW-3.10	Regulatory Liabilities
Direct Schedule CSW-3.11	Accumulated Deferred Income Taxes
Direct Schedule CSW-4	Explanation of Rate Base Adjustments
Direct Schedule CSW-5	Income Statement Summary

Direct Schedule CSW-6	Income Statement Adjustment Summary
Direct Schedule CSW-6.1	Revenues
Direct Schedule CSW-6.2	Operation and Maintenance Expenses
Direct Schedule CSW-6.3	Depreciation Expense
Direct Schedule CSW-6.4	Amortization Expense
Direct Schedule CSW-6.5	Taxes Other Than Income Taxes
Direct Schedule CSW-6.6	Interest on Customer Deposits
Direct Schedule CSW-7	Explanation of Income Statement Adjustments
Direct Schedule CSW-8	Weighted Average Cost of Capital
Direct Schedule CSW-9	Weighted Average Cost of Debt
Direct Schedule CSW-10	Income Taxes
Direct Schedule CSW-11	Pro Forma Income Taxes
Direct Schedule CSW-12	Interest Synchronization
Direct Schedule CSW-13	Gross Revenue Conversion Factor
Direct Schedule CSW-14	Composite Tax Rate
Direct Schedule CSW-15	Savers Farm Wastewater System Acquisition Item

1 **Q. Was the information contained in the schedules obtained or derived from the**
2 **books and records of the Company?**

3 A. Yes.

4 **Q. Did the Company provide the Commission timely notice of the Company's intent**
5 **to file a general rate case?**

6 A. Yes. Pursuant to Commission Rule 20 CSR 4240-4.017, a utility is required to provide
7 at least 60 days' notice to the Commission of its intent to file a case. On September
8 26, 2023, the Company filed its Notice of Intended Case Filing, which was assigned
9 Case Nos. WR-2024-0104 and SR-2024-0105, satisfying the requirements of
10 Commission Rule 20 CSR 4240-4.017.

11 **II. GENERAL RATE CHANGE BACKGROUND**

12 **Q. Please describe the Company's recent history of rate case filings.**

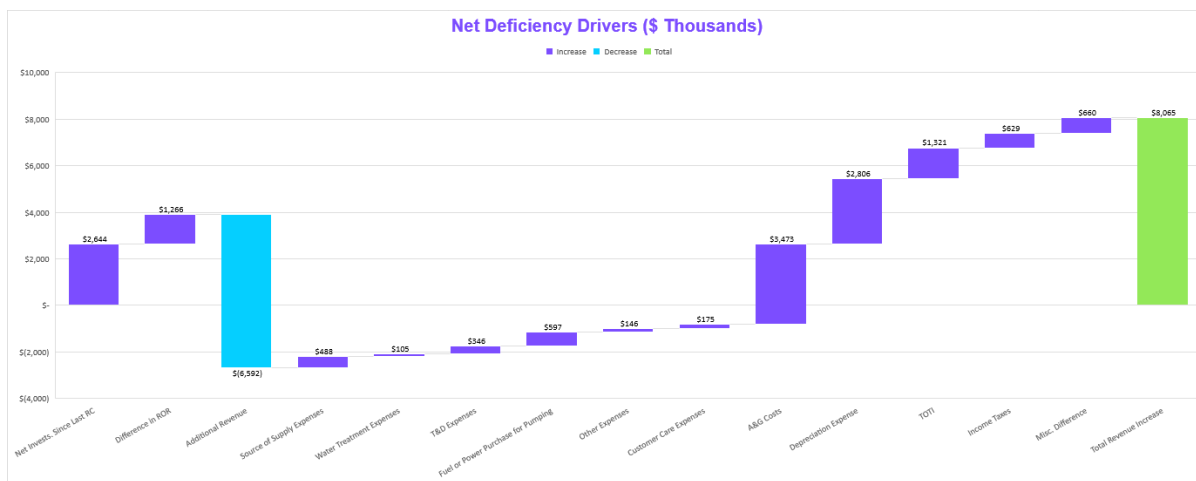
13 A. The Company filed its last rate case under prior Commission Rule 4 CSR 240-3.050,
14 Small Utility Rate Case Procedure, in Case Nos. WR-2018-0170 and SR-2018-0171

(consolidated under WR-2018-0170) on December 15, 2017. The Commission issued its Amended Report and Order with an effective date of November 3, 2018, and approved compliance tariffs with an effective date of December 8, 2018, for the water and wastewater systems then owned and operated by Liberty. The Company received an annual revenue requirement increase for Liberty’s water system operations of \$818,800, and sewer system operations of \$196,792, of its original request of approximately \$995,844 in annual water system operating revenues and \$196,617 in annual wastewater system operating revenues.

Q. What is the amount of annual revenue deficiency requested in these water and wastewater cases?

A. The Company is seeking to recover an annual revenue deficiency of \$8,065,267 based on a rate base of \$48,996,110. This represents an 84.81% increase in total base rate operating revenue. The following chart reflects the major drivers of the Company’s proposed rate increase:

Chart CSW-1



16

1 **Q. How did the Company determine its annual revenue deficiency and its need for a**
2 **general rate change?**

3 A. This request is based on a test year ending December 31, 2022. Adjustments have been
4 proposed for known and measurable changes to the test year and to normalize operating
5 results through April 30, 2024. The direct schedules, as presented, contain all expense
6 items, and Table CSW-2 below shows a calculation of the total annual revenue
7 deficiency.

8 **Table CSW-2**

Line No.	Revenue Requirement Component	Reference Schedule	Dollar Amount
1	Total Rate Base	Direct Schedule CSW-1	48,996,110
2	Required Rate of Return	Direct Schedule CSW-1	7.98%
3	Required Net Operating Income	Direct Schedule CSW-1	3,909,491
4	Operating Income Deficiency	Direct Schedule CSW-1	6,142,499
5	Gross Revenue Conversion Factor	Direct Schedule CSW-1	1.313
6	Total Revenue Deficiency	Direct Schedule CSW-1	8,065,267

9 **III. REVENUE REQUIREMENT**

10 **Q. What is meant by the term “revenue requirement”?**

11 A. A utility’s “revenue requirement” is the sum of its Operation and Maintenance
12 (“O&M”) expenses, depreciation expense, income and other taxes, and a fair return on
13 the utility’s rate base. The revenue requirement is often determined based on a
14 historical test year with pro forma adjustments reflecting reasonably known and
15 measurable changes to revenues, expenses, and rate base items. When the revenue
16 requirement exceeds the utility’s normalized test year revenues, a revenue deficiency
17 exists, which is the case here, and a rate increase is required. The calculations presented
18 in this case are made specific to the Company’s Missouri retail jurisdiction.

1 **Q. What are the general categories of pro forma adjustments proposed by the**
2 **Company?**

3 A. Pro forma adjustments generally fall into one of the following categories:

4 1) Normalization Adjustments - made to rate base and expenses to offset
5 unusual levels of operations recorded during the test year. An example of such an
6 adjustment would be the use of a 13-month average for materials and supplies to
7 address the variable nature of the expense.

8 2) Annualization Adjustments - made to recognize a cost which occurred during
9 the test year that will be ongoing and must be captured on a prospective basis. An
10 example of such an adjustment would be the adjustment to payroll to account for salary
11 increases during the pro forma period. This annualization is necessary to adjust payroll
12 costs to a level reflecting the pro forma salary for the entire year.

13 3) Out of Period Adjustments - which consider known and measurable changes
14 that occur outside the end of the test year. An example of such an adjustment would be
15 increases in Plant in Service based on Construction Work that is expected to be
16 complete, used and useful by the end of the pro forma update period.

17 **Q. What test year is the Company proposing for these water and wastewater cases?**

18 A. The Company is proposing a historical test year based on twelve months ended
19 December 31, 2022.

20 **Q. Is the Company requesting the test year be updated?**

21 A. Yes. The Company is proposing the test year be updated through April 30, 2024. The
22 impact of the update process has been included in the Company's revenue requirement
23 presented in my direct testimony.

24 **Q. Is the Company requesting a "true-up" process at this time?**

1 A. Not at this time.

2 **Q. What is the Company's calculated overall rate of return?**

3 A The Company's calculated overall rate of return at current rates is negative 4.56 percent.
4 This rate of return earned under the current rates is calculated by dividing adjusted test
5 year operating income by the adjusted test year rate base. This rate of return is not fair
6 and reasonable. For further discussion on the rate of return the Company is proposing
7 in this case, please refer to Company witness John Cochrane's direct testimony.

8 **Q. Please summarize the rate relief the Company is seeking in these proceedings.**

9 A. As stated above, the Company is seeking to recover an annual revenue deficiency of
10 approximately \$8 million based on a rate base of approximately \$49 million. This is
11 broken out by water and wastewater operations in Table CSW-3 below.

12 **Table CSW-3**

Total Revenue Requirement Deficiency		
Water	Wastewater	Consolidated
7,990,089	75,178	8,065,267

13 **Q. What is the revenue requirement model?**

14 A. A revenue requirement model is the analysis that calculates the various components of
15 the revenue requirement, which was mentioned previously in my testimony, and
16 provides a determination if a utility is earning its authorized rate of return.

17 **Q. Please describe the direct schedules of the revenue requirement model.**

18 A. **Direct Schedule CSW-1**, Revenue Requirement Summary, presents the Company's
19 proposed revenue requirement and the overall revenue requirement calculation. **Direct**
20 **Schedule CSW-2**, Rate Base Summary, reflects the Company's test year rate base,
21 including pro forma adjustments and the resulting pro forma rate base. Rate base is the
22 value of property on which a public utility is permitted to earn a specified rate of return.

1 **Direct Schedule CSW-5**, Income Statement Summary, provides the test year statement
2 of operating income with pro forma adjustments and the resulting pro forma operating
3 income. **Direct Schedule CSW-3**, Rate Base Adjustment Summary, and **Direct**
4 **Schedule CSW-6**, Income Statement Adjustment Summary, provides the known and
5 measurable adjustments to rate base and operating income that the Company
6 reasonably expects through the update period. **Direct Schedule CSW-11**, Pro Forma
7 Income Taxes, calculates income taxes based on state and federal effective tax rates.
8 **Direct Schedule CSW-12**, Interest Synchronization, calculates the synchronized
9 interest expense based on the Company's rate base and weighted cost of debt. The
10 Interest Synchronization calculation is necessary to properly calculate the amount of
11 income taxes to be recovered through rates as the Company receives a tax deduction
12 for interest expense which reduces the Company's taxable income. **Direct Schedule**
13 **CSW-8**, Weighted Average Cost of Capital, presents the overall cost of capital used in
14 the calculation of the revenue requirement which is addressed in detail by Company
15 witness John Cochrane.

16 **Q. Does the Company allocate its costs to operate across multiple states?**

17 A. No. The Company's (Missouri Water) financial information is reported on a total
18 Company basis for many rate making components (i.e., rate base, production expenses,
19 transmission expenses, customer expenses). Accordingly, all financial information
20 reported is from Missouri Water, which operates in only one retail jurisdiction
21 (Missouri).

22 **Q. Does the Company use an allocation method between the water and wastewater**
23 **commodities in the Company's revenue requirement?**

1 A. Yes. However, where possible, all costs and revenues are directly assigned to the
2 relevant water and wastewater respective commodities, and when a cost or revenue is
3 unable to be directly assigned, an indirect allocation method is used. The Company
4 utilizes the Four Factor allocation method which uses the following inputs to allocate
5 costs and revenues between the respective commodities: Utility Plant, Customer Count,
6 Labor Costs, and Operating Expenses. The Four Factor allocator is updated annually.

7 **IV. RATE BASE**

8 **Q. What is the Company's proposed rate base in these water and wastewater cases?**

9 A. As shown in Direct Schedule CSW-2, Rate Base Summary, the Company's pro forma
10 rate base is \$48,996,110. It is comprised of the test year rate base of negative
11 \$3,223,998 with pro forma adjustments totaling \$52,220,107.

Total Rate Base Adjustments *		
Water	Wastewater	Consolidated
36,649,123	12,346,986	48,996,110

12 * Difference due to rounding

13 **Q. Does the proposed rate base include amounts associated with acquisitions since**
14 **the Company's last rate case?**

15 A. Yes.

16 **Q. Were any of the amounts ordered by the Commission?**

17 A. Yes. On December 8, 2021, the Commission issued its *Order Approving Stipulation*
18 *and Agreement, Asset Transfer, and Certificates of Convenience and Necessity*, in Case
19 Nos. WA-2020-0397 and SA-2020-0398, effective December 18, 2021. The approved
20 *Stipulation and Agreement* between Liberty and the Staff required the following in
21 regard to rate base:

1 5. Liberty shall initially establish rate base for the Bolivar systems as of
2 December 31, 2019, utilizing Staff's calculation of net book value for
3 water and sewer assets (\$5,566,992 for water and \$8,356,492 for sewer).
4 The Signatories recognize there may have been additions/changes since
5 that date. The final rate base amount as of the date of acquisition will be
6 established in Liberty's next general rate case.
7

8 6. Additionally, the Signatories request that the Commission authorize
9 Liberty to establish a regulatory asset in the amount of \$3,981,385
10 (\$1,612,758 for water and \$2,368,627 for sewer). Rate recovery of this
11 regulatory asset will be determined in Liberty's next general rate case,
12 but Staff agrees to support Liberty's rate recovery of this amount.
13

14 **Q. Did Liberty "initially establish rate base for the Bolivar systems as of December**
15 **31, 2019, utilizing Staff's calculation of net book value for water and sewer assets**
16 **(\$5,566,992 for water and \$8,356,492 for sewer)"?**

17 A. Yes. Also, as is recognized by this condition, there were additional changes that were
18 necessary.

19 **Q. What was the final rate base amount as of the date of acquisition?**

20 A. As of the date of acquisition (which was February 1, 2022), net book value for water
21 and wastewater assets was \$5,566,992 and \$8,356,492 respectfully.

22 **Q. Were there any other ordered requirements related to acquisitions?**

23 A. Yes. In Case No. SA-2020-0067, the Commission ordered, among other things, as
24 follows:

25 Liberty Water shall provide detailed plant records that includes for each
26 plant asset a detailed description and original plant costs with supporting
27 detailed invoices and identified by USOA account numbers in its next
28 rate case for Savers Farm Sewer System.
29

30 **Q. What information are you providing?**

31 A. Attached hereto as **Direct Schedule CSW-15** is information related to the Savers Farm
32 wastewater system. Additional back-up will be provided with the workpapers.

33 **Q. Please list the proposed rate base adjustments.**

1 A. The Company proposes the following adjustments to test year rate base:

Rate Base Adjustments	
RB ADJ 1	Plant Additions
RB ADJ 1	Accumulated Depreciation for Plant Additions
RB ADJ 2	Addition of Common Plant
RB ADJ 3	Allocation of Shared Services Plant
RB ADJ 4	AMI Plant Additions
RB ADJ 5	Cash Working Capital
RB ADJ 6	ADIT Update
RB ADJ 7	Regulatory Assets
RB ADJ 8	Regulatory Liabilities
RB ADJ 9	Shared Services Allocation (Non-Plant)
RB ADJ 10	Customer Deposit Normalization
RB ADJ 11	Normalized CIAC
RB ADJ 12	Prepaid Pension & OPEB Assets

2 **Q. Please explain Rate Base (RB) Adjustment (ADJ) 1 for Plant Additions?**

3 A. RB-ADJ 1 increases Plant in Service and Accumulated Depreciation for projects
 4 reasonably expected to be placed in service and used and useful by April 30, 2024. This
 5 adjustment consists of four different categories of additions: Actual Plant in Service
 6 added from January 1, 2023 – October 31, 2023 and an estimated amount of Plant in
 7 Service to be placed in service for the months of November 2023 – April 2024. The
 8 actual increase in Plant in Service from January 1, 2023 – October 31, 2023 is
 9 \$4,637,699. The estimated amount of additional Plant in Service for the months of
 10 November 2023 – April 2024 is \$782,516. The third category is related to our
 11 Customer First implementation which is addressed in Lauren Preston’s direct
 12 testimony. The estimated amount of increase is \$5,049,721. The fourth increase is due
 13 to an increase in spend related to cybersecurity in the amount of \$205,907. In total, this
 14 results in an additional amount of Plant in Service of \$10,675,842.

15 The Accumulated Depreciation Adjustment is structured in a similar way as the
 16 Plant in Service adjustment. The increase to Accumulated Depreciation for Actuals

1 from January 1, 2023 – October 31, 2023 is \$1,904,707 and an estimated amount of
 2 Accumulated Depreciation to be added for the months of November 2023 – April 2024
 3 is \$1,270,125. Additionally, the increase in Accumulated Depreciation related to
 4 Cybersecurity additions is \$17,159. In total, this results in an additional amount of
 5 Accumulated Depreciation of \$3,191,992. The following table shows the breakdown
 6 of the adjustment between water and wastewater:

	RB ADJ 1 - Plant Additions *		
	Water	Wastewater	Consolidated
Plant in Service	9,048,158	1,627,684	10,675,842
Accum. Depr.	(2,077,962)	(1,114,029)	(3,191,992)
Total Plant	6,970,196	513,655	7,483,850

7 * Difference due to rounding

8 **Q. Please explain RB ADJ 2 Common Plant Additions?**

9 A. There are certain general plant assets recorded on The Empire District Electric
 10 Company’s (“Liberty-Empire”) books that are shared between Liberty-Empire and
 11 other non-electric affiliated business entities within the Liberty Central
 12 Region. Therefore, a portion of these assets must be added to the cost of service to
 13 avoid subsidization. In RB ADJ 2, the Company calculated a “mass rate” to add a
 14 percentage of common plant utilized by Liberty, which includes certain buildings such
 15 as the Joplin Corporate Office, the Joplin Kodiak Operations Office, and the Ozark Call
 16 Center. The adjustments result in an increase to Liberty’s Plant in Service of \$396,861
 17 and \$154,337 for the associated Accumulated Depreciation reserve. The following
 18 table shows the breakdown of the adjustment between water and wastewater:

	RB ADJ 2 - Common Plant *		
	Water	Wastewater	Consolidated
Common Plant	312,046	84,816	396,861
Accum. Depr.	(121,353)	(32,984)	(154,337)
Total Plant	190,693	51,831	242,524

* Difference due to rounding

1

2 **Q. Please explain RB ADJ 3 Shared Services Allocated Plant in Service and**
3 **Accumulated Depreciation?**

4 A. Liberty allocates certain assets that are considered shared service assets between water
5 service areas. As such, the Company is proposing an adjustment to increase Plant in
6 Service in the amount of \$1,236,837. Additionally, the corresponding Accumulated
7 Depreciation reserve for these assets has also been included in the Company's revenue
8 requirement in the amount of \$891,163. The following table shows the breakdown of
9 the adjustment between water and wastewater:

	RB ADJ 3 - Shared Services Plant		
	Water	Wastewater	Consolidated
Shared Services Plant	1,236,837		1,236,837
Accum. Depr.	(891,163)		(891,163)
Total Plant	345,674		345,674

10 **Q. Please explain RB ADJ 4 Automated Meter Information (AMI) Plant Additions**
11 **and Accumulated Depreciation?**

12 A. This adjustment reflects the inclusion of the AMI Plant Additions and Accumulated
13 Depreciation for connected grid router equipment that was placed in service to support
14 Noel, Aurora, Marionville, and Verona service territories. As part of its automated
15 metering infrastructure (AMI), Liberty uses connected grid routers (CGR) that are held
16 in common with Liberty-Empire. This adjustment allocates a portion of these CGR to

1 Liberty in proportion to the number of AMI meters that are set to remote read capable.
2 The total adjustment is \$32,307. The following table shows the breakdown of the
3 adjustment between water and wastewater:

RB ADJ 4 - AMI Plant			
	Water	Wastewater	Consolidated
AMI Plant	32,307	-	32,307
Accum. Depr.	-	-	-
Total Plant	32,307	-	32,307

4 **Q. Please explain RB ADJ 5 for Cash Working Capital.**

5 A. RB ADJ 5 increases the Company's rate base by \$15,509 to account for the appropriate
6 level of Cash Working Capital. Please refer to Company witness Timothy S. Lyons'
7 direct testimony for discussion of the lead-lag study. The following table shows the
8 breakdown of the adjustment between water and wastewater:

RB ADJ 5 - Cash Working Capital *		
Water	Wastewater	Consolidated
75,409	(59,899)	15,509

9 * Difference due to rounding

10 **Q. Please explain RB ADJ 6 to Accumulated Deferred Income Taxes ("ADIT").**

11 A. RB ADJ 6 was made to reflect the anticipated balance of ADIT at the end of December
12 31, 2023. An adjustment was made to increase ADIT by \$104,315 which results in a
13 pro forma balance of (\$8,501). This balance will need to be updated to reflect the actual
14 ADIT balance as of April 30, 2024. The following table shows the breakdown of the
15 adjustment between water and wastewater:

RB ADJ 6 - ADIT		
Water	Wastewater	Consolidated
87,871	16,444	104,315

1 **Q. Please explain RB ADJ 7 to Regulatory Assets.**

2 A. RB ADJ 7 is used to adjust the various Regulatory Asset balances recorded at the test
3 year.

4 The Company is proposing an amortization to recover the costs associated with
5 Tank Painting. The Regulatory Asset balance is \$230,128. This account reflects the
6 costs incurred to paint various water tanks within our system. Regular painting of water
7 storage tanks prolongs the life of any tank by helping to prevent corrosion and problems
8 caused by weather, pollutants and other external elements. Because these costs help to
9 ensure the long life of the assets it is appropriate to defer these costs when incurred and
10 recover over an appropriate time frame. In this instance the Company is proposing to
11 recover these costs over twelve years.

12 The Company made an adjustment to exclude a balance that was not a
13 component of calculating base rates (Flex Accounts \$49). RB ADJ 7 also reflects the
14 inclusion of the Property Tax Regulatory Asset balance that was established by Senate
15 Bill 745, which was codified in Section 393.400.2, RSMo., and became effective
16 August 28, 2022. Senate Bill 745 specifies that water corporations:

17 ...shall defer to a regulatory asset or liability account any difference in
18 state or local property tax expenses actually incurred, and those on
19 which the revenue requirement used to set rates in the corporation's
20 most recently completed general rate proceeding was based. The
21 regulatory asset or liability account balances shall be included in the
22 revenue requirement used to set rates through an amortization over a

1 reasonable period of time in such corporation's subsequent general rate
2 proceedings. The commission shall also adjust the rate base used to
3 establish the revenue requirement of such corporation to reflect the
4 unamortized regulatory asset or liability account balances in such
5 general rate proceedings...

6 **Q. Was there an agreed upon revenue requirement to set current rates?**

7 A. No. Current rates are based on an Order approving a Stipulation and Agreement that
8 did not specifically establish a revenue requirement. However, to develop the Property
9 Tax Regulatory Asset balance, the Company utilized the prior Non-Unanimous
10 Stipulation Agreement in the last rate case and various disposition agreements to
11 determine the amount of property tax incurred above what has been included in rates.
12 As such, the Company has adjusted the regulatory asset balance in the amount of
13 \$623,535 within its rate base for property taxes.

14 The following table shows the breakdown of the adjustment between water and
15 wastewater for the total Regulatory Asset adjustment:

RB ADJ 7 - Reg. Asset *		
Water	Wastewater	Consolidated
622,565	922	623,486

16 * Difference due to rounding

17 **Q. Please explain RB ADJ 8 to Regulatory Liabilities.**

18 A. RB ADJ 8 was used to adjust the deferred regulatory liabilities associated with the 2017
19 Tax Cuts and Jobs Act. The Company proposes to return to customers the Regulatory
20 Liability in the amount of \$39,104. Discussion on why this balance should be
21 incorporated into the revenue requirement calculation is discussed further in the direct

1 testimony of Company witness Michael McCuen. The following table shows the
2 breakdown of the adjustment between water and wastewater:

RB ADJ 8 - Reg. Liabilities		
Water	Wastewater	Consolidated
101,321	22,253	123,574

3 **Q. Please explain RB ADJ 9 Shared Services Allocated Non-Plant?**

4 A. As mentioned earlier in my testimony, Liberty allocates certain assets that are
5 considered shared services assets between water and wastewater. As such, the
6 Company is proposing an adjustment in the amount of \$226,527 to include these
7 amounts in the applicable commodity. The following table shows the breakdown of the
8 adjustment between water and wastewater:

	RB ADJ 9 - Shared Services		
	Water	Wastewater	Consolidated
Prepayments	117,331	19,945	137,276
Materials & Supplies	77,306	11,945	89,251
Total	194,637	31,890	226,527

9 **Q. Please explain RB ADJ 10 Customer Deposits Normalization**

10 A. RB ADJ 10 was used to normalize the amount of customer deposits held. Due to the
11 acquisition of Bolivar occurring in February 2022, the test year end balance does not
12 reflect a reasonable annualized balance. As such, the Company is proposing an
13 adjustment to annualize Customer Deposits by \$100,430 which results in a pro forma
14 balance of \$145,901. The following table shows the breakdown of the adjustment
15 between water and wastewater:

RB ADJ 10 - Customer Deposit		
Water	Wastewater	Consolidated
(81,702)	(18,728)	(100,430)

16

1 **Q. Please explain RB ADJ 11, Contribution in Aid of Construction (“CIAC”).**

2 A. RB ADJ 11 is being proposed to normalize the balance of the Company’s CIAC
3 accounts. The balance of \$(653,814) is the appropriate normalized CAIC balance for
4 ratemaking purposes. To arrive at the \$(653,814) the Company removed certain
5 balances that were incorrectly recorded to the 271 NARUC CAIC account during the
6 test year. These balances are associated with the Company’s due to/from intracompany
7 entities and should have been recorded in NARUC account 234. In addition, the
8 Company removed certain balances associated with “Amortization of CAIC” that were
9 incorrectly recorded to the 271 NARUC CAIC where it should have been recorded to
10 NARUC account 403. Once making these adjustments, the Company then made a
11 further adjustment to arrive at a normalized CIAC balance at the end of the Company’s
12 update period. The following table shows the breakdown of the pro forma ending
13 balance between water and wastewater:

RB ADJ 11 - Normalized CIAC		
Water	Wastewater	Consolidated
466,105	187,709	653,814

14 **Q. Please explain RB ADJ 12 to Pension and OPEB Regulatory balances.**

15 A. Please see the direct testimony of Company witness James A. Fallert regarding the rate
16 base adjustments made for Pension and OPEB. The following table shows the
17 breakdown of the adjustment between water and wastewater:

RB ADJ 12 - Prepaid Pension & OPEB Assets		
Water	Wastewater	Consolidated
81,867	5,075	86,942

18

1 V. **OPERATING INCOME**

2 Q. **Has the Company proposed any adjustments to its test year operating income?**

3 A. Yes, the Company has proposed multiple adjustments to normalize and annualize
4 balances to arrive at what is deemed a normal test year. The various adjustments will
5 be discussed in further detail later in my testimony.

6 Q. **Do any of the proposed adjustments relate to revenue?**

7 A. Yes. The Company proposes the following adjustments to test year revenue:

Revenue Adjustments	
REV ADJ 1	Removal of Unbilled Revenues
REV ADJ 2	Removal of Passthrough Revenues
REV ADJ 3	Bolivar Revenue Normalization
REV ADJ 4	Noel Revenue Normalization
REV ADJ 5	Reclass Adjustment
REV ADJ 6	Non-Recurring Revenue Removal

8 Q. **Please describe Removal of Unbilled Revenue REV ADJ 1 Removal of Unbilled**
9 **Revenue.**

10 A. This adjustment removes \$299,944 of revenues from the test year that were not billed
11 to or received from customers during the test year and which billing determinants were
12 not reflected in the billing determinants used to calculate a normalized level of revenue.
13 Therefore, this adjustment is required to avoid a double counting of revenue. The
14 following table shows the breakdown of the adjustment between water and
15 wastewater:

REV ADJ 1 - Unbilled Revenue *		
Water	Wastewater	Consolidated
(173,309)	(126,636)	(299,944)

* Difference due to rounding

16

1 **Q. Please describe Removal of Passthrough Revenues, REV ADJ 2.**

2 A. This adjustment removes the Primacy Fees that the Company collects from customers
3 but are then remitted directly to the Missouri Department of Natural Resources each
4 year. This results in a decrease to Missouri Water's revenue of \$73,418 for the test year.
5 The following table shows the breakdown of the adjustment between water and
6 wastewater:

REV ADJ 2 - Passthrough Revenues		
Water	Wastewater	Consolidated
73,418	-	73,418

7 **Q. Please describe Bolivar Annualization Water and Wastewater REV ADJ 3.**

8 A. The Commission issued an order approving the Bolivar water and wastewater
9 acquisition by Liberty on December 18, 2021¹. However, the respective revenue tariffs
10 did not become effective until February 2022. Therefore, the test year does not include
11 any revenue for the month of January 2022. The Bolivar revenue adjustment assures
12 that the test year includes an appropriate normalized revenue amount. The test year
13 sales revenue for Bolivar water and wastewater was \$4,265,082. The pro forma
14 annualized sales revenue at the end of the test year was \$5,046,627. The resulting
15 adjustment is an increase of \$781,546. The Company proposes this adjustment be
16 updated with actual data using a 12 month ending April 30, 2024. The following table
17 shows the breakdown of the adjustment between water and wastewater:

REV ADJ 3 - Bolivar Revenue Annualization		
Water	Wastewater	Consolidated
295,746	485,800	781,546

18

¹ WA-2020-0397 and SA-2020-0398 were approved by the MO Commission on December 18, 2021.

1 **Q. Please describe the Noel Tyson Revenue Normalization REV ADJ 4.**

2 A. This adjustment reduces pro forma revenue due to the closure of the Tyson Foods
3 (“Tyson”) processing facility in Noel, Missouri. At the end 2023, revenue received
4 from Tyson dropped to zero due to the plant closure. Therefore, the Company proposes
5 an adjustment to decrease Liberty’s revenue by \$274,440. This is a combination of
6 unmetered customer charges of \$27,903 and metered sales of \$246,537. The following
7 table shows the breakdown of the adjustment between water and wastewater:

REV ADJ 4 - Noel Tyson Revenue Annualization		
Water	Wastewater	Consolidated
(274,440)	-	(274,440)

8 **Q. Please describe Account Reclassification REV ADJ 5.**

9 A. While reviewing the Company’s test year balance it was noted that water revenue was
10 incorrectly booked to wastewater accounts. As such, REV ADJ 5 increases the revenue
11 for the water commodity in the amount of \$1,088 and decreases the revenue in the
12 amount of \$(1,088) for the wastewater commodity.

13 **Q. Please describe the Non-Recurring Revenue Removal REV ADJ 6.**

14 A. Two accounting entries recorded in the Company’s test year were incorrectly recorded
15 as revenue. One of the accounting entries related to the transfer of assets from the
16 legacy Empire Water to Missouri Water and the second accounting entry related to a
17 2021 correcting entry for Bilyeu Ridge. The following table shows the breakdown of
18 the adjustment between water and wastewater:

REV ADJ 6 - Non-Recurring Revenue Removal		
Water	Wastewater	Consolidated
(417,196)	-	(417,196)

19

1 **Q. Do any of the proposed adjustments relate to expense?**

2 A. Yes. The Company proposes the following adjustments to test year expenses:

Expense Adjustments	
EXP ADJ 1	Noel Expense Normalization
EXP ADJ 2	Bolivar O&M Expense Annualization
EXP ADJ 3	Regulatory Asset Amortization
EXP ADJ 4	Regulatory Liability Amortization
EXP ADJ 5	Rate Case Expense Annualization
EXP ADJ 6	Insurance Expense Annualization
EXP ADJ 7	Payroll Expense Annualization
EXP ADJ 8	Employee Benefits Annualization
EXP ADJ 9	Depreciation Expense Annualization
EXP ADJ 10	Property Tax Expense
EXP ADJ 11	Training and Travel Expense
EXP ADJ 12	Pension & OPEB Expense
EXP ADJ 13	Customer First Expenses
EXP ADJ 14	Customer Deposits Interest Expense
EXP ADJ 15	Customer Payment Fee
EXP ADJ 16	Removal of Acquisition Costs
EXP ADJ 17	Shared Service Allocation (Non-Plant)
EXP ADJ 18	CIAC Normalization
EXP ADJ 19	Account Reclassifications
EXP ADJ 20	Income Tax True-Up

3 **Q. Please explain the Noel Tyson Foods Closure Expense Adjustment EXP ADJ-1.**

4 A. EXP ADJ 1 reduces the expenses for Liberty, due to the previously mentioned closure
 5 of Tyson Foods' Noel, Missouri processing facility. The adjustment reduces costs
 6 directly associated with the reduction of water demand in Noel due to the Tyson
 7 closure. Tyson represented 60.5% of Noel, Missouri, water consumption (by gallons).
 8 Due to this reduction in water demand, EXP ADJ 1 decreases the electricity costs
 9 associated with the impacted water pump and chemical costs by 60.5% in the test year.
 10 This results in a reduction in chemical costs of \$19,937, and a reduction in electricity
 11 costs of \$36,099 for the test year. The following table shows the breakdown of the
 12 adjustment between water and wastewater:

EXP ADJ 1 - Noel Expense		
Water	Wastewater	Consolidated
(56,036)	-	(56,036)

1 **Q. Please explain the Bolivar O&M Expense Annualization EXP ADJ 2.**

2 A. The acquisition of the Bolivar water and wastewater assets was approved December
3 18, 2021. However, due to the tariffs being effective as of February 2022, a full year
4 of expenses for Bolivar are not recorded in Liberty's books and records for the test
5 year. As such, it is appropriate to annualize the Bolivar expenses. To accomplish this
6 annualization adjustment the Company believes the last six months of 2022 provide a
7 more accurate representation of the expenses anticipated going forward. Therefore, the
8 expenses incurred July through December 2022 were used to annualize Bolivar
9 expenses. It is thus appropriate to increase test year expenses by \$431,359. The
10 following table shows the breakdown of the adjustment between water and
11 wastewater:

EXP ADJ 2 - Bolivar O&M Expense		
Water	Wastewater	Consolidated
408,080	23,279	431,359

12 **Q. Please explain the Regulatory Assets/Liabilities Amortization EXP ADJ 3 and**
13 **EXP ADJ 4.**

14 A. EXP ADJ 3 and ADJ 4 reflect the adjustments to amortize certain regulatory assets and
15 liabilities in order to annualize the expenses at the update period. The total increase to
16 regulatory asset amortization expense is \$625,161 associated with RB ADJ 7 and is
17 inclusive of adjustments to the following accounts:

- 18 • The Company is proposing a Regulatory Asset for the recovery of Deferred
19 Tank Painting expenses. Additionally, the Company is proposing the

1 Regulatory Asset be amortized over a twelve-year period. This results in annual
2 tank painting amortization in the amount of \$19,177.

- 3 • In conjunction with RB ADJ 7 discussed above, the proposed annual
4 amortization expense associated with the new Property Tax Regulatory Asset
5 balance totals \$207,845. The Company is proposing a three (3) year
6 amortization life for the Property Tax Regulatory Asset as it will allow the
7 Property Tax Regulatory Asset balance to be fully recovered before the
8 Company's next anticipated rate case filing, which will help to ensure the
9 customers receiving the benefits of the costs are the customers paying for such
10 costs.

- 11 • Acquisition amortization expense is related to the Bolivar acquisition. The
12 Commission approved the acquisition of Bolivar water and wastewater assets
13 by Liberty in December 2021². In the order, the Commission stated:

14 The Commission authorizes Liberty to establish a regulatory asset in the
15 amount of \$3,981,385 (\$1,612,758 for water and \$2,368,627 for sewer).
16 Rate recovery of this regulatory asset will be determined in Liberty's
17 next general rate case.

18 Liberty proposed a ten-year amortization period, to minimize the impact on the
19 customers. This amortization period results in an adjustment of \$398,139.

20 The following table shows the breakdown of the regulatory asset adjustment between
21 water and wastewater:

EXP ADJ 3 - Reg Asset Amort. Expense		
Water	Wastewater	Consolidated
387,166	237,995	625,161

² File No. WA-2020-0397, Item 39, Page 12.

1 EXP ADJ 4 accounts for the regulatory liability amortization expense of (\$755) which
2 is a result of the TCJA Excess ADIT Amortization. Discussion regarding the
3 amortization of this expense is discussed further in the direct testimony of Company
4 witness Michael McCuen. The following table shows the breakdown of the adjustment
5 between water and wastewater:

EXP ADJ 4 - Reg Liabilities Amort. Expense		
Water	Wastewater	Consolidated
(631)	(124)	(755)

6 **Q. Please explain the Rate Case Expense Annualization EXP ADJ 5.**

7 A. Liberty anticipates it will spend approximately \$1,013,125 to prepare, file and litigate
8 this proceeding. The Company currently anticipates that it will file its next rate case
9 no sooner than three years from now and thus proposes to amortize the total rate case
10 expense over three years, which results in an annual expense of \$337,708. It should be
11 noted that the Company should only be allowed to recover the actual rate case expense
12 incurred, so the Commission's final order in this case should allow for the recovery of
13 the actual rate case expense, as determined through the appropriate filings following
14 briefing of the case. The following table shows the breakdown of the adjustment
15 between water and wastewater:

EXP ADJ 5 - Rate Case Expense *		
Water	Wastewater	Consolidated
265,547	72,162	337,708

16 * Difference due to rounding

17 **Q. Please explain the Insurance Expense Annualization EXP ADJ 6.**

18 A. EXP ADJ 6 reflects anticipated changes in insurance premiums. Though insurance
19 premiums are generally anticipated to increase from 2022 to 2023, the allocation of
20 property insurance and worker's compensation insurance premiums to Liberty's water

1 and wastewater commodities is expected to decrease. The adjustment decreases
2 operating expenses by \$15,297. The pro forma balance of insurance expenses is
3 \$105,532. The following table shows the breakdown of the adjustment between water
4 and wastewater:

EXP ADJ 6 - Insurance Expense *		
Water	Wastewater	Consolidated
(18,687)	3,391	(15,297)

5 * Difference due to rounding

6 **Q. Please explain the Payroll Expense Annualization EXP ADJ 7.**

7 A. This adjustment is to include in the cost-of-service normalized payroll and payroll taxes
8 expected at the end of the update period for water and wastewater service areas. To
9 calculate this, the Company obtained the annual salary amount for each active
10 employee at the end of the test year and applied a four percent merit increase that
11 became effective in 2023 plus a 3.5% merit increase, which took effect on February 11,
12 2024, and was included on employee pay checks starting March 1, 2024. The Company
13 also included in its adjustment a portion of annualized payroll related to overtime. This
14 annualized overtime was determined by using an overtime percentage computed for
15 non-union and union employees based on a two-year average of overtime hour actually
16 incurred and the pay rate as of December 31, 2022. This rate was then applied to the
17 Company's pro forma base payroll amount as previously described. In addition to
18 annualizing the base salaries and overtime, the Company also included in its revenue
19 requirement calculation payroll related to open positions which the Company
20 anticipates it will fill by the end of the update period. These amounts were then
21 compared to the test year amounts in the cost of service and an adjustment was made
22 for the difference.

1 **Q. What is the result of these adjustments?**

2 A. The test year payroll was \$1,666,052. The pro forma annualized payroll related to base
3 salaries with the incorporated merit increases mentioned above, and the annualized
4 level of payroll related to the open positions anticipated to be filled by the end of the
5 update period are \$2,126,379. The resulting adjustment is an increase of \$460,327.

6 The following table shows the breakdown of the adjustment between water and
7 wastewater:

EXP ADJ 7 - Water & Sewer Payroll Expense *			
	Water	Wastewater	Consolidated
Payroll	350,688	20,351	371,039
Payroll taxes	87,924	1,365	89,288
Total Payroll Adj	438,611	21,716	460,327

8 * Difference due to rounding

9 **Q. Please explain Employee Benefits Annualization – Water Expense Adjustment**
10 **EXP ADJ 8.**

11 A. LUSC currently offers a variety of benefits, including Medical, Dental, Vision, Life
12 Insurance, Accidental Death and Dismemberment, Short- and Long-Term Disability
13 and a 401k match, to its employees. However, for EXP ADJ 8, the Company only
14 adjusted 401k benefit provided to our employees. We obtained the annual amounts
15 incurred for each employee at the test year end and included estimated amounts for any
16 open positions that the Company anticipates it will fill by the end of the update period.
17 To determine an annualized 401k expense, the actual 401k match rates that each
18 employee received at the test year end was used and then the Company match rate was
19 used for the open positions. These rates were then applied to the pro forma salary
20 amounts calculated in EXP ADJ 7 and compared back to the test year amounts included
21 in the revenue requirement calculation. The test year 401K benefits were \$23,031. The

1 pro forma annualized payroll related to base salaries with the incorporated merit
2 increase mentioned above, and the annualized level of payroll related to the open
3 positions anticipated to be filled by the end of the update period are \$59,697. The
4 resulting adjustment is \$36,666. The following table shows the breakdown of the
5 adjustment between water and wastewater:

EXP ADJ 8 - Water & Wastewater Benefits Expense		
Water	Wastewater	Consolidated
36,359	307	36,666

6 **Q. Please explain the Depreciation Expense Annualization EXP ADJ 9.**

7 A. EXP ADJ 9 represents an annual depreciation expense based on plant in service at the
8 end of the update period including plant additions in RB ADJ 1. This adjustment
9 consists of two different components, one to adjust the depreciation expense based on
10 current depreciation rates, as well as the incremental increase related to the updated
11 depreciation rates from the most recent depreciation study. The amount of depreciation
12 expense related to the current rates results in an increase to depreciation expense of
13 \$971,061, and the incremental increase from the new depreciation rates results in an
14 increase of \$369,677. In sum, this results in a total increase depreciation expense of
15 \$1,340,738. The following table shows the breakdown of the adjustment between water
16 and wastewater:

EXP ADJ 9 - Depreciation Annualization *		
Water	Wastewater	Consolidated
1,353,179	(12,442)	1,340,738

* Difference due to rounding

18 **Q. Please explain the Property Tax EXP ADJ 10.**

19 A. EXP ADJ 10 represents the annualized amount of property tax expense expected to be
20 incurred for the Company's pro forma plant this is included in its revenue requirement

1 calculation. The property tax rate utilized by the Company in this adjustment is based
2 on its estimated 2022 property tax liability. This results in a Missouri pro forma balance
3 of property tax expense of \$1,345,716 and a Missouri pro forma adjustment of
4 \$932,525. The following table shows the breakdown of the adjustment between water
5 and wastewater:

EXP ADJ 10 - Annualized Property Tax		
Water	Wastewater	Consolidated
552,105	380,420	932,525

6 **Q. Please explain the Training and Travel EXP ADJ 11.**

7 A. Due to training and travel expenses being at reduced levels, partially due to the reduced
8 travel post COVID-19, the training and travel expenses included in the test year do not
9 represent an anticipated level of costs on an ongoing basis. Therefore, the Company
10 adjusted the amount of training and travel expenses that the Company incurred in the
11 test year to reflect the budgeted amount for 2024. This adjustment results in a \$5,402
12 increase to the travel/training expense accounts. The following table shows the
13 breakdown of the adjustment between water and wastewater:

EXP ADJ 11 - Training & Travel Expense		
Water	Wastewater	Consolidated
5,038	364	5,402

14 **Q. Please explain the Pension & OPEB Expenses Adjustment EXP ADJ 12.**

15 A. Please see the direct testimony of Company witness James A. Fallert regarding the
16 expense adjustment made for Pension and OPEB. The following table shows the
17 breakdown of the adjustment between water and wastewater:

EXP ADJ 12 - Pension & OPEB Expense		
Water	Wastewater	Consolidated
(34,271)	3,772	(30,499)

18

1 **Q. Please explain the Customer First Expenses EXP ADJ 13.**

2 A. As discussed in Company witness Lauren Preston’s testimony, Customer First will be
3 implemented on April 8, 2024. As with all system implementations, there will be
4 ongoing operation and maintenance expenses related to the new systems. The estimated
5 annual system costs resulted in an adjustment of \$157,199. The following table shows
6 the breakdown of the adjustment between water and wastewater:

EXP ADJ 13 - Customer First Expense		
Water	Wastewater	Consolidated
123,609	33,590	157,199

7 **Q. Please explain the Interest on Customer Deposits EXP ADJ 14.**

8 A. EXP ADJ 14 increases operating expenses by \$12,402 to include the interest paid to Liberty
9 customers on their deposit accounts, as the test year revenue requirement does not include
10 costs for the customer deposit interest expense it is appropriate to adjust the test year
11 balances to include these costs. As such, the Company utilized the customer deposit interest
12 rate of 8.5% which went into effect in January 2023. The following table shows the
13 breakdown of the adjustment between water and wastewater:

EXP ADJ 14 - Customer Deposit Interest		
Water	Wastewater	Consolidated
10,810	1,592	12,402

14 **Q. Please explain the Customer Payment Fees EXP ADJ 15.**

15 A. As discussed in Company witness Lauren Preston’s testimony, EXP ADJ 15 increases
16 the Company’s jurisdictional operating expenses by \$14,317 to capture the fees
17 incurred by customers to make payment through kiosks, over the phone, and through
18 electronic payment systems. If the Commission approves this adjustment, the
19 Company’s customers will be able to make payments through multiple convenient

1 methods without incurring any additional fees. The following table shows the
2 breakdown of the adjustment between water and wastewater:

EXP ADJ 15 - Customer Payment Fees		
Water	Wastewater	Consolidated
11,258	3,059	14,317

3 **Q. Please explain the Removal of Acquisition Costs EXP ADJ 16.**

4 A. EXP ADJ 16 reflects the removal of costs within the Company's test year related to the
5 acquisition of Bolivar water and wastewater. This adjustment results in a decrease in
6 expenses of \$228,632 in the test year. The following table shows the breakdown of the
7 adjustment between water and wastewater:

EXP ADJ 16 - Removal of Acquisition Costs *		
Water	Wastewater	Consolidated
(197,460)	(31,171)	(228,632)

8 * Difference due to rounding

9 **Q. Please explain the Shared Services Allocation (Non-Plant) EXP ADJ 17.**

10 A. EXP ADJ 17 allocates the costs and revenues that are considered shared services costs
11 between water and wastewater. As such, the Company is proposing an adjustment in
12 the amount of \$4,363 to move these amounts to the proper commodity. The following
13 table shows the breakdown of the adjustment between water and wastewater:

EXP ADJ 17 - Shared Services Allocation (Non-Plant) *		
Water	Wastewater	Consolidated
3,430	932	4,363

14 * Difference due to rounding

15 **Q. Please explain the CIAC Normalization EXP ADJ 18.**

16 A. EXP ADJ 18 is necessary to normalize the balance of Contributions In Aid of
17 Construction and reclass the Amortization of CIAC to depreciation/amortization
18 expense account. This adjustment results in a \$41,841 decrease in

1 depreciation/amortization expense. The following table shows the breakdown of the
2 adjustment between water and wastewater:

EXP ADJ 18 - CIAC Amortization Expense Reclass		
Water	Wastewater	Consolidated
(31,199)	(10,642)	(41,841)

3 **Q. Please explain the Account Reclassification EXP ADJ 19.**

4 A. During the test year \$871 was incorrectly recorded to account 8741 and should have
5 been recorded to account 674x. Additionally, \$218,988 in costs were incorrectly
6 recorded to wastewater expenses and should have been recorded to the water
7 commodity accounts. EXP ADJ 19 reclasses the expenses to the appropriate accounts.

8 **Q. Please explain the Income Tax True Up Expense EXP ADJ 20.**

9 A. EXP ADJ 20 is made to reflect an annualized amount of income taxes at the update
10 period. This results in an adjustment to decrease income taxes for Liberty in the amount
11 of \$1,065,809. The following table shows the breakdown of the adjustment between
12 water and wastewater:

EXP ADJ 20 - Income Tax True-Up		
Water	Wastewater	Consolidated
(1,263,861)	198,052	(1,065,809)

13

1 **VI. MISSOURI WATER AND WASTEWATER INVESTIGATION**

2 **Q. As a result of the Missouri Water investigation in 2022, Staff stated that "Liberty**
3 **should file, before the next rate case, revised annual reports for at least the years**
4 **of 2020 and 2021, to include corrected data." Have the revised annual reports**
5 **been filed?**

6 A. Yes. The Company submitted the revised 2020 and 2021 annual reports on March 7,
7 2024³. Additionally, the Company revised its 2022 annual report.

8 **Q. Please describe the adjustments that were made to correct the 2020, 2021 and 2022**
9 **annual reports.**

10 A. Adjustments were made to the classification of operating revenues to align with the
11 Uniform System of Accounts for Class A & B Water Utilities published in 1976 by the
12 National Association of Regulatory Utility Commissioners. Additional adjustments
13 were made to correct volumes sold to customers. The original volumes sold were pulled
14 from the customer information system in which the customer data is dynamic in nature.
15 Volumes sold have been updated to reflect volume activity that directly correlates to
16 the activity in which the month occurred. Pumped volume data was updated to reflect
17 volumes provided from the operations team. Absent a rounding error, customer counts
18 did not change substantially. In addition to changes to the statistical data, an adjustment
19 was made to the revenue in the annual reports for 2021 and 2022 for a correction to
20 2021 revenue that was booked in 2022.

21 **Q. Have the operational issues that caused these discrepancies been addressed to**
22 **improve the accuracy of the data going forward?**

³ Non-Case Supplemental Filing Notification: BMAR-2021-1882 and 1883, BMAR-2022-1844 and 1845, and BMAR-2023-2041 and 2042.

1 A. Yes. Teams from the finance, regulatory and operations have engaged in meetings to
2 discuss data provided from the operations team to ensure the classification of customers
3 and volume data are appropriately selected for reporting purposes to ensure
4 consistency.

5 **Q. Does this conclude your direct testimony at this time?**

6 A. Yes.

VERIFICATION

I, Cindy S. Wilson, under penalty of perjury, on this 13th day of March 2024, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Cindy S. Wilson