

Exhibit No.: _____
Issue(s): Rate Case Expense/Customer Billing
Statements
Witness/Type of Exhibit: Payne/Direct
Sponsoring Party: Public Counsel
Case No.: GR-2024-0106

DIRECT TESTIMONY
OF
MANZELL PAYNE

Submitted on Behalf of the Office of the Public Counsel

LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.
D/B/A LIBERTY UTILITIES'

FILE NO. GR-2024-0106

July 18, 2024

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DIRECT TESTIMONY

OF

MANZELL M PAYNE

LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP. D/B/A LIBERTY

CASE NO. GR-2024-0106

1 **Q. Please state your name, title, and business address.**

2 A. My name is Manzell Payne. I am a Utility Regulatory Auditor for the Office of the Public
3 Counsel (“OPC” or “Public Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

4 **Q. What are your qualifications and experience?**

5 A. My educational background includes a Bachelor of Arts degree in Accounting from
6 Westminster College in Fulton, Missouri received in 2020.

7 Prior to joining the Office of Public Counsel in July 2023, I worked as an analyst and
8 auditor in the banking industry for four and half years. The responsibilities during my time
9 as an analyst included risk analysis, tracking/monitoring expenditures, auditing of business
10 financial statements and business plans. Through my various analysis and auditing work in
11 the banking industry, I had the opportunity to review an individual or company’s credit
12 worthiness.

13 Since joining the OPC, I have attended the National Association of Regulatory Utility
14 Commissioners (“NARUC”) Rate School and other seminars and trainings relating to
15 utility regulation.

16 **Q. Have you testified previously before the Missouri Public Service Commission?**

17 A. Yes, I have previously testified before the Missouri Public Service Commission
18 (“Commission”). Please refer to schedule MMP-D-1 attached hereto for a list of cases in
19 which I have testified.

20 **Q. What is the purpose of your direct testimony?**

21 A. The purpose of my direct testimony is to address Liberty Utilities (Midstates Natural Gas)
22 Corp. d/b/a Liberty¹ rate case expense and billing statements in this case.

¹ Heretofore “Company” or “Liberty Midstates.”

1 **RATE CASE EXPENSE**

2 **Q. How would you define rate case expense?**

3 A. Rate case expense is the total cost that a utility will incur to prepare, present, argue, and
4 conclude a general rate case. Examples of rate case expenses can be outside legal counsel
5 fees, consultant fees, customer notice, and depreciation studies.

6 **Q. What has been the Commission's position on rate case expense in the past?**

7 A. The Commission has employed a 50/50 sharing mechanism for those rate case expenses that
8 are not mandatory to initiate a rate case. Expenses such as customer notice fees, depreciation
9 studies and filing costs are necessary to introduce a case. The Commission's most recent
10 relevant decision on rate case expenses was in the Spire Missouri Rate Case Nos. GR-2017-
11 0215 and GR-2017-0216, where the Commission held Spire Missouri to a 50/50 sharing
12 mechanism with customers. In its Amended Report and Order, the Commission found:

13 Therefore, it is just and reasonable that the shareholders and the ratepayers
14 who both benefited from the rate case, share in the rate case expense. The
15 Commission finds that in order to set just and reasonable rates under the
16 specific facts in this case, the Commission will require Spire Missouri
17 shareholders to cover half of the rate case expense and the ratepayers to
18 cover half with the exception of the cost of customer notices and the
19 depreciation study.

20
21 On February 9, 2021, the Missouri Supreme Court affirmed the Commission's decision.²

22 **Q. How should the Commission calculate the correct amount of rate case expense to be**
23 **included in Liberty Midstates rates?**

24 A. First, the Commission should exclude any rate case expense that Liberty Midstates incurred
25 in Case No. GR-2018-0013. The Company has fully recovered their rate case expense from
26 the previous case since it has been 6 years.³ Next, the Commission should normalize the
27 reasonable and prudent rate case expense amount over 4 years, as the Company is required to
28 file a general rate case within three years due to the ISRS filing requirements.⁴ Finally, the

² *Spire Missouri, Inc. v. Pub. Serv. Comm'n*, 618 S.W.3d 225, 233 (Mo. banc 2021).

³ Case No. GR-2018-0013 rates were effective June 2018.

⁴ Section 393.1012, RSMo. subsection 2. "The commission shall not approve an ISRS for any gas corporation that has not had a general rate proceeding decided or dismissed by issuance of a commission order within the past three years, unless the gas corporation has filed for or is the subject of a new general rate proceeding."

1 Commission should employ the same 50/50 sharing mechanism it has in the past to further
2 reduce the rate case expense.

3 **Q. Are there any specific items that the Commission should disallow recovery of related to**
4 **rate case expense?**

5 A. Yes. The Commission should disallow the inclusion of excessive attorney, consultant, and
6 witness fees, as these costs are imprudent and only for the benefit of the Company.

7 **Q. Can you specify the OPC's concern around the Company's outside attorney fees,**
8 **consultant fees, and outside witness fees in this case?**

9 A. Yes. The amount of attorney, witness, and consultant fees incurred by Liberty Midstates is
10 imprudent, in that it far exceeds the amount that should be considered reasonable. Liberty
11 Midstates' customers should not be held responsible for funding the Company's excessive
12 and expensive attorneys, witness, and consultant fees every time the Company has a rate case.

13 **Q. Can you provide detail on why customers should not be held responsible for Liberty**
14 **Midstates' excessive attorney, consultant, and witness fees?**

15 A. Yes. While it may be reasonable for a utility to retain additional legal services when pursuing
16 a rate increase request before the Commission, there is also a point where the cost of such
17 service exceed what a reasonable person would spend. However, when the utility is able to
18 recover at least half these costs from ratepayers, the downside to shareholders for pursuing
19 these excessive costs becomes minimized. The upside to shareholders of having a high-priced,
20 well-recognized name as a consultant, meanwhile, remains the same. Therefore, the cost-
21 benefit analysis changes for the utility, encouraging it to hire outside consultants and
22 expensive law firms even when those consultants and firms are not necessary to present the
23 Company's case. The Company has experienced personnel, both internally and via affiliates,
24 who can provide testimony to support the Company's position. Rate payers are already paying
25 for the employees and should not have to pay for additional consultants or attorneys.

26 **Q. Can you provide an example of these excessive costs?**

27 A. Yes. The Company has 10 employees of Liberty Utilities Co.⁵ at some level acting as
28 witnesses in this case. On top of its employees, the Company has spent a significant sum,

⁵ This company is higher-level affiliate than Liberty Midstates.

1 hiring 5 additional individuals to act as consultants and/or witnesses. Therefore, in total, the
2 Company has 15 witnesses in this case, 6 of whom are also participating in Liberty Utilities
3 (Missouri Water) rate case (WR-2024-0104).

4 **Q. Did the Company seek a request for proposal (RFP) or other bids for the scope of work**
5 **of their consultants or vendors in this case?**

6 A. No. Responding to Staff Data Request 0125, question No. 4, “Copies of each specific RFP
7 issued to acquire each consultants service.” Liberty Midstates stated:

8 For this specific rate case the Company did not utilize a formal RFP process. However,
9 they entered into contracts with consultants that have been utilized in other
10 jurisdictional rate cases/proceedings. These past positive experiences, coupled with
11 the Consultants’ specific understanding of the Company, contributed to their
12 selection.

13 In response to Data Request 0125, question No. 9, “If an RFP was not issued, provide all
14 documentation to support authorization to forgo the competitive bid process. Also provide all
15 documentation of the process that was used to select the person/company hired.” The
16 Company stated:

17 There was not a competitive bid process. Once the Company received the proposals
18 from the consultants, they evaluated the proposals, taking into consideration each
19 consultant’s qualifications, price, timeline, and experience. In addition, please see
20 response to part 4 above.

21 **Q. Can you explain why the Company’s lack of an RFP process is a problem?**

22 A. Yes. When corporations make major financial decisions without seeking bids, there is no real
23 cost control for the Company to follow. Moreover, the Company cannot determine whether it
24 is getting the best price for the services it is seeking. If the choice that Liberty Midstates makes
25 is unduly expensive or if its services are not up to par, the Corporation has locked in its captive
26 customers without doing the appropriate research. The Company has several experienced
27 attorneys and witnesses currently on payroll. With such an abundant workforce in this case,
28 the Company has no excuse for entering into contracts based solely on past performances and
29 understanding of the Company. Failing to conduct an RFP regarding the consultants in this
30 case is an irresponsible use of Customer funds and should be disallowed in its entirety.

1 **Q. If the Commission has ruled on a 50/50 sharing mechanism in the past, should that not**
2 **help the burden of customers having to pay for excessive fees born by the Company for**
3 **rate case expense?**

4 A. Although the Commission has previously ruled that a 50/50 sharing be the standard for rate
5 cases, the Company still has the ultimate say on who they choose for their outside attorneys
6 and consultants and can, therefore, pick the most expensive consultants and attorneys. The
7 Company's lack of an RFP process to choose the numerous consultants active in this case,
8 support a substantial disallowance regarding the rate case expense here.

9
10 **Q. Do you have a disallowance for consultant fees?**

11 A. Yes. I recommend the Commission disallow from rate case expense 100% of the fees
12 associated with outside attorneys, consultants, and vendors, including the following:

- 13 • Itron
- 14 • James Fallert Consulting
- 15 • FTI Consulting

16 **Q. Why have you only recommended that three consultants out of the five in this case be**
17 **disallowed?**

18 A. The remaining rate case expenses pertaining to other two consultants, Timothy Lyons
19 (ScottMadden) and Dane Watson (Alliance Consulting Group) are due to the topics of which
20 each consultant is a witness for. Timothy Lyons' rate case expenses are due to CCOS and
21 Cash Working Capital. Dane Watson's rate case expenses are due to the depreciation study.
22 At this time I have excluded the costs from my 100% disallowance, however, I may have
23 additional disallowances for each in the future if deemed to be imprudent.

24 **Q. Please summarize your recommendations for rate case expense treatment in this case.**

25 A. I have four recommendations regarding how the Commission should treat Liberty Midstate's
26 rate case expense in this case:

27 1. Liberty Midstates' rate case expense should follow Commission precedent and the
28 Company follow the 50/50 rate case sharing.

29 2. The Commission should disallow any rate case expense that has carried through from Case
30 No. GR-2018-0013, as the case was 6 years ago, and those expenses have already been
31 reimbursed.

1 **3.** Rate case expense should be normalized over 4 years.

2 **4.** The Commission should disallow at least a portion of outside consultant fees due to the
3 Company having an excessive number of consultants and cost of their work. Specifically, I
4 recommend the disallowance of fees associated with Itron, James Fallert Consulting, and FTI
5 Consulting.

6 **CUSTOMER BILLING STATEMENTS**

7 **Q. Have you reviewed an example of the current billing statements used by Liberty**
8 **Midstates?**

9 A. Yes. I reviewed multiple billing statement examples for Liberty Midstates and affiliates.
10 Attached below and as MMP-D-2 is an example of a gas bill that a customer would receive
11 from the Company. The following example was found on the Company's website.

energy and water for life

Account Information

Customer Name: **JANE DOE**
Service Address: 123 ANYSTREET, ANYTOWN MO US 63501
Account Number: 000123456789



What do I owe?

\$93.65

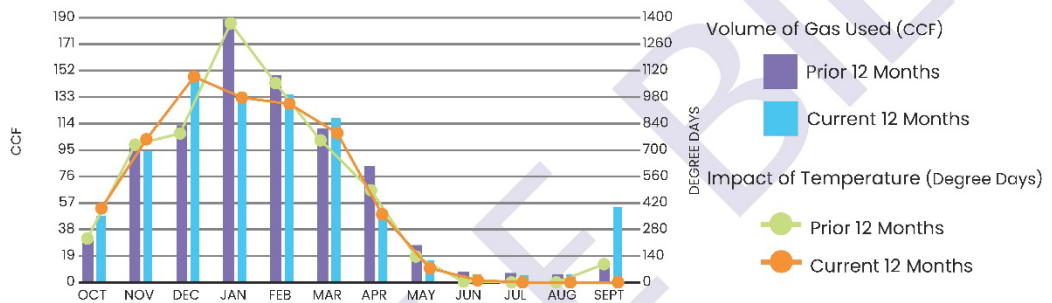
How much did I use?

54
CCF

When is it due?

Oct 26, 2023

Your Monthly Gas Use At a Glance



Pay online at libertyenergyandwater.com, or return this portion with your payment. Please include your account number on your check and make payable to Liberty Utilities.



Account Number: 000123456789
Service Address: 123 ANYSTREET
Bill Date: 05-OCT-2023
Due Date: 26-OCT-2023

\$93.65

Amount Due

Amount Enclosed

Please check box and see reverse for: Assistance Donation

JANE DOE
123 ANYSTREET
ANYTOWN MO 63501

REMIT TO:
LIBERTY UTILITY MISSOURI
P.O. BOX 75660
CHICAGO IL 60675-5660

32032000093249360000305002



Go green and sign up for paperless billing today! Online access gives you the ability to make payments, set up autopay and activate useful email or text notifications.



Explanation of Regulations and Policies

For additional information please visit www.LibertyEnergyandWater.com.

Understanding Your Bill

Distribution Adjustment

The cost of environmental, energy efficiency, and low income assistance programs.

Distribution Commodity

The cost of operating and maintaining the Liberty natural gas piping system that delivers natural gas to your home or business.

Due Date/Late Charge

Please pay your bill by the due date to avoid a late charge.

Multiplier

Converts the metered unit of measure to the standard billing unit of measure, where applicable.

Prorated Bill

If applicable, we will adjust, or prorate, the charges on bills with more or less than the standard days of service.

Purchased Gas Adjustment (PGA)

This measure reflects market increases and decreases in the price we pay for gas supplies without markup or other charges. It may vary monthly and is based on the amount of natural gas you use.

Rate Code

This code represents the rate used to calculate your bill.

Taxes

This section summarizes state and local taxes, including city franchise tax, if applicable.

Units

CCF = Hundred Cubic Feet

WNA Amount

If applicable, this Weather Normalization Amount adjusts for variations above and below normal temperatures.

Missouri ISRS Charge

The infrastructure system replacement surcharge (ISRS) is a set, monthly charge that covers only a part of the expenses that the Company must incur to maintain and upgrade its system and to relocate facilities in connection with local, state and federal public improvement projects and safety requirements. In general the ISRS charge to cover these costs is smaller for residential customers, while larger users in other customer classes are charged a greater amount.



Other Information

General Correspondence

Please remember to include your name, 12-digit account number, service address, mailing address and phone number including the area code, on any correspondence to us. Contact us if you have had a change in mailing address or name, or you may be billed even after a move.

Mail to:

Liberty
2751 North High Street
Jackson, MO 63755

Medical Emergency

If you believe that a medical emergency exists in your home or would exist if service were to be disconnected, you may be protected from disconnection. Please contact us at 855-872-3242 for more information.



Important Information

Customer Service: 855-872-3242

Emergency: 855-644-8134

Website: www.LibertyEnergyandWater.com

Social Media:

Facebook: @LibertyUtilitiesCentral

Twitter: @PlugIntoLiberty

Youtube: @liberty-centralregion718

Phone Service for Hearing and Speech Impaired: 7-1-1

Call before you Dig: 8-1-1

Payment Options



EFT (Automatic) Payments

Pay your bill automatically from your bank account.



Online

www.LibertyEnergyandWater.com



Phone

855-872-3242



Mail Payments

Liberty - MO
PO Box 75660
Chicago IL 60675-5660



In Person

Visit LibertyEnergyandWater.com for our office locations or authorized payment centers.

Billing Programs

Budget Billing (BBP)/Levelized Budget Billing (LVL)

Allows you to spread out payments over the year, avoiding high and low fluctuations in your monthly bill. The statement will also show the difference between Budget/Levelized Budget Billing and Actual Charges to Date otherwise known as Settlement Amount.

Installment Plan

An extended payment plan where past-due bills may be paid in installments over a specific time period. The statement will also show the remaining Installment Plan amount to be billed.

Community Energy Assistance Program

You can help others in need to pay their monthly gas bill by donating to our community energy assistance program. All donations are distributed to a local or area non-profit energy assistance agency(ies) that serves your community. Visit www.LibertyEnergyandWater.com for information on which agency(ies) received your donation.

Thank you for sharing with those in need in your community. Please choose an amount to be billed monthly on your Liberty Statement.

\$1 _____ \$5 _____ \$10 _____ \$20 _____ Other _____

One-Time Contribution _____

Account Activity for Your Natural Gas Service from 09/01/2023 - 09/25/2023
 Rate: Residential Firm Service
 Next Scheduled Meter Read Date: 10/24/2023
 Point of Delivery ID: 00000000000012345678



Meter Number	Read Type	Service Days	Billing Period	Current	Previous	CCF Used	Usage
KM18E000158	Actual	25	9/1/23 - 9/25/23	4381	4327	54	54

What am I paying for? **Additional messages**

Previous Balance as of 10/05/2023	\$ 179.00
Payment(s) Received as of 10/05/2023	\$ 179.00
Balance Forward	\$ 0.00

Auto Pay customers please note: The amount due on this bill may include the amount due from your previous bill. The amount due from your previous bill will be drafted on the due date included in that bill. The remainder will be drafted on the due date for this bill. For the exact amounts that will be drafted on each due date, please log in to My Account at libertyenergyandwater.com

Current Charges

DELIVERY CHARGES	QUANTITY USED	COST PER CCF		
Delivery Charge			\$	18.33
WNAR Charge	54 CCF	\$ -0.05362	\$	-2.90
Distribution Commodity	30 CCF	\$ 0.32935	\$	9.88
ISRS			\$	2.51
Distribution Commodity	24 CCF	\$ 0.38193	\$	9.17
TOTAL DELIVERY CHARGES			\$	36.99

GAS CHARGES	QUANTITY USED	COST PER CCF		
PGA	54 CCF	\$ 0.91851	\$	49.60
TOTAL GAS CHARGES			\$	49.60

MISCELLANEOUS CHARGES AND CREDITS		
Donations		\$ 1.00
TOTAL MISC. CHARGES AND CREDITS		\$ 1.00

TAX CHARGES		
County of Adair \$86.59 @ 1%		\$ 0.87
City of Kirksville \$86.59 @ 1%		\$ 0.86
Franchise Fee \$86.59 @ 5.000%		\$ 4.33
TOTAL TAX CHARGES		\$ 6.06

TOTAL CURRENT CHARGES	\$ 93.65
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Total Amount Due **\$ 93.65**



1 **Q. Do any laws or regulations exist in Missouri that require certain information to be in a**
2 **utility company's billing statements?**

3 A. Yes. The regulation that provides the requirements and general standards for a utility's billing
4 and payment practices is 20 CSR 4240-13.020. The purpose of this standard is to establish
5 "reasonable and uniform billing and payment standards for residential service to be observed by
6 utilities and customers."⁶

7 **Q. Has Liberty Midstate's followed the standards present in 20 CSR 4240-13.020?**

8 A. While the conclusion around Liberty Midstate's billing after my initial review was that it
9 follows the standards set out in §13.020, there are glaring flaws in the Company's billing
10 statements that can easily confuse or intimidate customers.

11 **Q. Can you further explain your issue with Liberty Midstates' billing statements?**

12 A. The bill has good and bad traits. My overall reaction to the sample bill is that the Company
13 has followed the rules but has not taken into account the many confusing aspects of the bill
14 and how an average customer would view the bill. My issue with the billing statements would
15 be that the Company made the bill more confusing than it needed to be. I believe that the
16 Company should improve the statements so that customers are less confused and not
17 intimidated by their bills.

18 **Q. Are there parts of the gas bill that Liberty Midstates did well?**

19 A. Yes. The Company has provided a bill that clearly states the amount owed, usage, and due
20 date for the customer. These figures are found at the top of the gas bill and big font. Easy for
21 the customer to see. The Company also provides definition or explanations for some of the
22 terms used on the bill, on page 2 of the bill. And the Company has provided contact
23 information for customer support, emergencies, and other services. These things are helpful
24 to the customer and the Company did well in including the information.

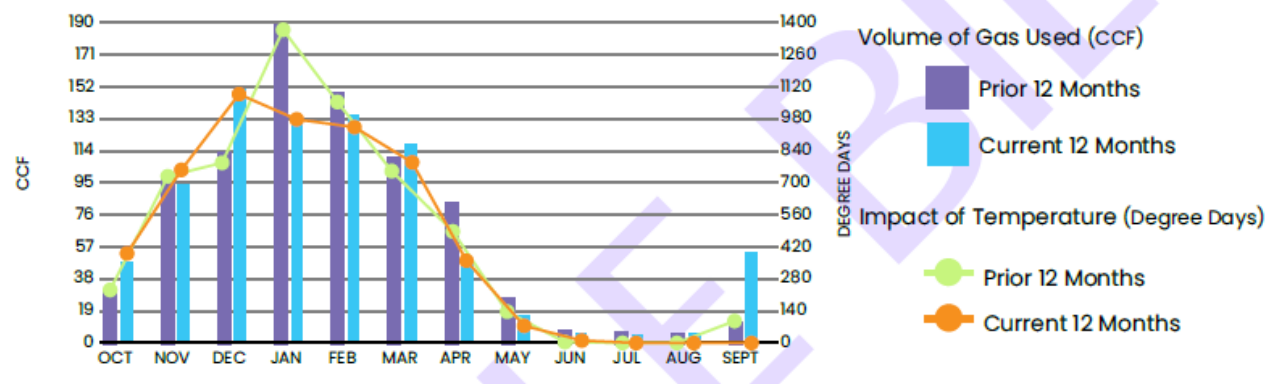
25 **Q. Are there parts of the gas bill that Liberty Midstates did not do well?**

26 A. Yes. The most concerning part of the bill is the graphical representation of the gas usage by
27 the customer over the previous 12 months and the current 12 months. While the graph does
28 show the customers their usage, it does so in a confusing way. The graph shows the volume

⁶ Rules of Department of Economic Development Division 240—Public Service Commission Chapter 13—Service and Billing Practices for Residential Customers of Electric, Gas, Sewer, and Water Utilities, Page 4, 20 CSR 4240 Billing and Payment Standards. Attached as MMP-D-3.

1 of gas used over the previous 12 months and the current 12 months. At the same time, the
2 graph shows the impact of temperature over the same periods. The overlay of both volume
3 and temperature on the same graph is confusing and minimizes any benefit that customers
4 could otherwise gain from analyzing their bills. In addition to this, the impact of temperature
5 is shown as “degree days”, a term not widely known by most people outside of the utilities
6 industry and related occupations. See the snippet below for the graph provided on the gas bill
7 to Liberty Midstates’ customers.⁷

Your Monthly Gas Use At a Glance



8
9 **Q. When the Company’s billing statements discuss “degree days,” can you explain what**
10 **that means?**

11 A. Yes. Degree days are measures of how cold or warm a location is. A degree day compares the
12 mean (the average of the high and low) outdoor temperatures recorded for a location to a
13 standard temperature, usually 65° Fahrenheit (F) in the United States. The more extreme the
14 outside temperature, the higher the number of degree days. A high amount of degree days
15 tends to result in a higher energy use for space heating or cooling.⁸

⁷ The full bill is attached as MMP-D-2. Also found on the Company’s website.
<https://missouri.libertyutilities.com/butler/residential/my-account/my-bill/my-bill-ng.html>
<https://missouri.libertyutilities.com/uploads/Sample%20Bill%20MO.pdf>

⁸ U.S. Energy Information Administration definition for Degree days. <https://www.eia.gov/energyexplained/units-and-calculators/degree-days.php>

1 **Q. Does the Company provide any explanation about degree days or how that calculation**
2 **can help customers determine their usage using the graph provided on the gas bill?**

3 A. No. Not only does the sample bill not explain what a degree day means, it also does not give
4 an example on how the number was figured, which can lead to confusion to customers.
5 Customers should be able to easily read and understand their bill without any headaches. The
6 Company could have simply broken out the graph in a different manner and included both its
7 definition and calculation of degree days.

8 Alternatively, the Company could have used the average temperature for each month on the
9 graph, which would easily be understood by customers.

10 **Q. Do you have any recommendations for the gas bill that Liberty Midstates provides to**
11 **their customers monthly?**

12 A. Yes. While I see that the Company's gas bill has some good traits, I believe that the bill can
13 be improved. I recommend that the Company update their bill with the customer in mind by
14 simplifying their graphs and providing more definitions and examples for more complex
15 terms used by the Company. Utility bills and usage data should be presented in a manner
16 where it can be easily understood by the vast majority of customers, and not require an
17 advanced understanding of utility rates. The Company provides definitions for some technical
18 terms of the bill on page 2 but not others. Instead of providing partial understandings, the
19 Company should provide a complete understating of the bill to assist customers.
20 Improvements to the bill can lead to increased understanding of the gas bill to customers,
21 which can lead to a more positive customer experience through a decrease in customer
22 dissatisfaction, complaints, and overall trust in the Company. Once the customer has a better
23 understanding of their bill, they can begin to manage their energy use more efficiently and
24 plan better financially. This in turn has operational benefits for the Company, as there would
25 be fewer customer issues, reducing burdens on customer service departments and allowing
26 the company to allocate resources to other areas of improvement.

27 **Q. Does this conclude your direct testimony?**

28 A. Yes it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Request of Liberty Utilities)
(Midstates Natural Gas) Corp. d/b/a Liberty to)
Implement a General Rate Increase for Natural) Case No. GR-2024-0106
Gas Service in the Missouri Service Areas of the)
Company)

AFFIDAVIT OF MANZELL PAYNE

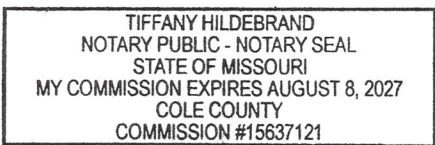
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Manzell Payne, of lawful age and being first duly sworn, deposes and states:

1. My name is Manzell Payne. I am a Utility Regulatory Auditor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Manzell Payne
Utility Regulatory Auditor

Subscribed and sworn to me this 17th day of July 2024.



My Commission expires August 8, 2027.

Tiffany Hildebrand
Notary Public