

*Exhibit No.:*  
*Issue(s):* *Uncollectible Expense  
Purchased Gas  
Adjustment (PGA)  
Unbilled Revenue,  
Weather Normalization  
Adjustment Rider  
(WNAR),  
Infrastructure System  
Replacement  
Surcharge (ISRS),  
Lease and Rent Expense,  
Cash Working Capital  
(CWC)*  
*Witness:* *Paul K. Amenthor*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*Case No.:* *GR-2024-0106*  
*Date Testimony Prepared:* *July 18, 2024*

# **MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS DIVISION**

**AUDITING DEPARTMENT**

**DIRECT TESTIMONY**

**OF**

**PAUL K. AMENTHOR**

**LIBERTY UTILITIES (Midstates Natural Gas) CORP.,**

**d/b/a Liberty**

**CASE NO. GR-2024-0106**

*Jefferson City, Missouri  
July 2024*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14

**TABLE OF CONTENTS OF  
DIRECT TESTIMONY OF  
PAUL K. AMENTHOR  
LIBERTY UTILITIES (Midstates Natural Gas) CORP.,  
d/b/a Liberty  
CASE NO. GR-2024-0106**

UNCOLLECTIBLE EXPENSE .....1  
PURCHASED GAS ADJUSTMENT (PGA) REVENUE AND REMOVAL OF GAS  
COSTS .....2  
UNBILLED REVENUE.....3  
WEATHER NORMALIZATION ADJUSTMENT RIDER.....3  
INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE (“ISRS”) .....4  
LEASE AND RENT EXPENSE .....6  
CASH WORKING CAPITAL (“CWC”) .....6



1 A. Uncollectible account expense, or bad debt expense, is the portion of gas revenue  
2 that Liberty Midstates was unable to collect from customers due to non-payment of their  
3 utility bills.

4 Q. Please describe Liberty's proposed adjustment for uncollectible expense.

5 A. Liberty developed a five-year uncollectible ratio and then applied that ratio to the  
6 test year revenue as well as to the incremental revenue requested.

7 Q. Based on Staff's review, should there be an adjustment for  
8 uncollectible expense?

9 A. No. Staff has reviewed the actual net write offs expense from January 1, 2018  
10 through December 31, 2022. The net write offs decreased during the Covid19 pandemic  
11 period and increased back to the pre Covid19 level during the test year. Therefore, Staff has  
12 accepted the test year level as the annualized level. Staff uses net write offs in its review process  
13 rather than bad debt, because they are known and measurable where bad debt expense is just an  
14 educated estimate of what amounts of customer revenue Liberty expects will not be collected  
15 in the future.

16 **PURCHASED GAS ADJUSTMENT (PGA) REVENUE AND REMOVAL OF**  
17 **GAS COSTS**

18 Q. Please describe the issue of purchased gas adjustment revenue.

19 A. A PGA is a mechanism used by utilities outside of a general rate case to adjust  
20 the price of natural gas to reflect the changing cost of gas in the wholesale market.  
21 Liberty purchases gas from producers to sell to customers and the prices fluctuate over time.  
22 The PGA allows Liberty Midstates to periodically adjust prices to reflect the increasing or  
23 decreasing cost of gas.

1 Q. Does Staff recommend removal of PGA costs from the test year?

2 A. Yes. Since the total cost of PGA is passed through to customers and is not  
3 included in the base rate therefore, Staff has removed all purchased gas expense and purchased  
4 gas revenue from the test year ending December 31, 2022.

5 **UNBILLED REVENUE**

6 Q. Please describe the issue of unbilled revenue.

7 A. Liberty Midstates records unbilled revenue to recognize the sales of gas that  
8 have occurred, but have not yet been billed to customers. Since Liberty has not yet billed  
9 customers and in order to accurately calculate the annualized revenue, the unbilled revenue  
10 must be removed from the revenue requirement.

11 Q. Does Staff recommend removal of unbilled revenue from the test year?

12 A. Yes. Staff has removed the unbilled revenue from the test year twelve months  
13 ending December 31, 2022.

14 **WEATHER NORMALIZATION ADJUSTMENT RIDER**

15 Q. What is Weather Normalization Adjustment Rider (“WNAR”)?

16 A. The WNAR is a mechanism outside of a general rate case that adjusts a  
17 customer’s bill to account for warmer or colder than normal weather during the winter billing  
18 period which is usually November 1 through April 30. When the weather is colder than normal,  
19 WNAR will be applied as a credit to the bill. When the weather is warmer than normal,  
20 WNAR will appear as a charge on the bill. Liberty makes an annual tariff filing with the  
21 Commission to adjust the WNAR and the WNAR remains in effect for twelve months.

22 Q. Does Staff recommend removal of the WNAR?

1           A.       Yes. In order to accurately compute the revenue in this case, any rider needs to  
2 be removed. Therefore, Staff has removed the WNA Revenue from the test year ending  
3 December 31, 2022.

4           **INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE (“ISRS”)**

5           Q.       What is Infrastructure System Replacement Surcharge?

6           A.       ISRS allows gas corporations to recover certain infrastructure system  
7 replacement costs outside a general rate case filing through a bill surcharge. Eligible  
8 infrastructure projects shall consist only of the following:

9           (a) Mains, valves, service lines, regulator stations, vaults, and other pipeline system  
10 components installed to comply with state or federal safety requirements as  
11 replacements for existing facilities that have worn out or are in deteriorated condition  
12 or that can no longer be installed under currently applicable safety requirements or any  
13 cast iron or steel facilities including any connected or associated facilities that,  
14 regardless of their material, age, or condition, are replaced as part of a qualifying  
15 replacement project in a manner that adds no incremental cost to a project compared to  
16 tying into or reusing existing facilities;

17           (b) Main relining projects, service line insertion projects, joint encapsulation projects,  
18 and other similar projects extending the useful life or enhancing the integrity of pipeline  
19 system components undertaken to comply with state or federal safety requirements; and

20           (c) Facilities relocations required due to construction or improvement of a highway,  
21 road, street, public way, or other public work by or on behalf of the United States,  
22 this state, a political subdivision of this state, or another entity having the power of

1 eminent domain provided that the costs related to such projects have not been  
2 reimbursed to the gas corporation.

3 Q. Please explain Liberty Midstates' proposed ISRS adjustment.

4 A. Liberty Midstates included \$1,253,169 ISRS revenue as part of permanent rates  
5 to be established in Case No. GR-2024-0106. In response to Staff Data Request No. 254,  
6 Liberty Midstates witness, Charlotte T. Emery, stated that given that ISRS rates would be  
7 zeroed out and that the ISRS eligible projects would be included in base rates as part of the  
8 general rate case, Liberty Midstates included an adjustment to its revenue requirement in the  
9 amount of \$1,253,169. Further, she states that this adjustment represents the annual revenue  
10 associated with the authorized ISRS revenues as ordered by the Commission in  
11 Dockets GT-2022-0118, GT-2021-0073 and GT-2023-0229.

12 Q. Is this adjustment in agreement with Commission rules regarding ISRS?

13 A. No. Commission rule 20 CSR 4240-3.265(18) regarding ISRS states: "A natural  
14 gas utility that implemented an ISRS shall file revised ISRS rate schedules to reset the ISRS to  
15 zero when new base rates charges become effective following a Commission order establishing  
16 customer rates in a general rate proceeding that incorporates eligible costs previously reflected  
17 in an ISRS into the subject utility's base rates." Therefore, Staff removed the \$1,253,169 from  
18 its revenue requirement calculation.

19 Q. Please explain Staff's recommended ISRS revenue adjustment.

20 A. ISRS investment and related costs are included in the cost of service calculation  
21 during this rate proceeding to determine permanent rates, meaning the ISRS surcharge is reset  
22 to zero. Therefore, Staff removed ISRS revenue from the test year ending December 31, 2022.

1 **LEASE AND RENT EXPENSE**

2 Q. Please describe Liberty Midstates' rent and lease expense.

3 A. Liberty Midstates incurs rent and lease expense for various buildings and  
4 equipment that are necessary in its daily operations for the provision of safe and reliable service  
5 to its customers.

6 Q. Please describe Staff's recommended adjustment for rent and lease expense.

7 A. Staff annualized lease expenses based on the most current lease contracts and  
8 removed any expired leases as of December 31, 2023.

9 **CASH WORKING CAPITAL ("CWC")**

10 Q. Please describe Cash Working Capital.

11 A. Cash Working Capital ("CWC") is the amount of cash necessary for a utility to  
12 pay day-to-day expenses, which are incurred to provide service to its ratepayers. Cash inflows  
13 from payments received by the Company and cash outflows for expenses paid by the Company  
14 to vendors, employees, taxing authorities, are analyzed through a lead/lag study. When a utility  
15 must pay for an expense it incurred in order to provide service to customers before it receives  
16 revenues from its customers to pay for that service, then that amount must be obtained from the  
17 investors or debtors. Including such an investment in rate base provides the investor a return on  
18 the funds provided. Conversely, when a utility receives revenues from its customers before it  
19 must pay certain expenses incurred to provide service, then the ratepayer provided the utility  
20 with cash working capital up front, thereby eliminating the utility's need to obtain the funds  
21 from its investors or debtors. The utility in this situation has use of ratepayer-supplied funds for  
22 a period of time before they must actually pay the utility vendors for the expenses.



1 Ratepayers are compensated for their up-front investment of cash working capital by reducing  
2 rate base by the amount of their investment.

3 The amount of CWC in a utility rate base, therefore, can be thought of as a netting of  
4 investor-provided and ratepayer-provided cash working capital funds. If CWC is a positive  
5 addition to rate base, on average the utility's investors have provided more CWC than its  
6 ratepayers. Conversely, if CWC is a negative reduction to rate base, on average the ratepayers  
7 have provided more CWC than the investors.

8 Liberty Midstates performed a lead-lag study related to costs incurred during the test  
9 year ending December 31, 2022. Staff reviewed the computation of lags provided by  
10 Liberty Midstates witness, Timothy S. Lyons, for accuracy and reasonableness. Staff accepted  
11 most of the lags calculated by Mr. Lyons, but recommends using different lags for  
12 PSC assessment, property taxes, and income taxes. Staff witness Lisa M. Ferguson discusses  
13 the income tax lag in her direct testimony.

14 Q. Please explain Staff's recommendation for the PSC assessment expense lag.

15 A. Staff calculated a separate lag for the PSC assessment. Liberty Midstates makes  
16 a one-time payment for the PSC assessment and then expenses that payment as a monthly  
17 payment through a prepayment. However, Liberty Midstates has the option of paying the  
18 assessment in quarterly payments. Since Liberty chose to make a one-time payment instead of  
19 quarterly payments, Staff calculated the PSC assessment lag using the time elapsed between  
20 the midpoint of service date and the date when the payment was made in the test year.

21 Q. Please explain Staff's recommendation for the property tax lag.

22 A. The property taxes in Missouri are typically due at the end of each calendar year.  
23 The test year property taxes data used in the calculation of the property tax lag contained some

Direct Testimony of  
Paul K. Amenthor

1 of the 2021 taxes that were paid in 2022; this means that the taxes were paid late.  
2 Staff excluded 2021 tax payments made in the test year to determine an appropriate property  
3 tax expense lag.

4 Q. Does this conclude your direct testimony?

5 A. Yes, it does.



**Paul K. Amenthor**

**EDUCATIONAL BACKGROUND AND EXPERIENCE**

In December of 2016, I graduated from Southern Illinois University Edwardsville with a Bachelor of Science in Accounting. I have also earned a Bachelor of Science in Economic and Management with an emphasis in Accounting Sciences from the University of Lomé, Togo in June of 2007.

I commenced employment with the Missouri Public Service Commission as Utility Regulatory Auditor in September 2017. As a Utility Regulatory Auditor II, I am responsible in part, for assisting with the audit and examination of the books and records of utility companies operating within the State of Missouri and sponsoring testimony as an expert witness in Commission proceedings.

Prior to employment with the Commission, I worked with Walmart from June 2011 to August 2017, as an Inventory Management Associate. In this position, I was primarily responsible for ensuring the accuracy of on-hand inventory in the warehouse.

I also worked with Lee Enterprises (Lee Finance) from March 2017 to August 2017 as a Circulation Accounting Clerk. In this position, I was primarily responsible for processing customers' remittances, invoices, and accounts deposits. I also provided support for senior staff with each end of month closing.

**Paul Amenthor**

**CASE PARTICIPATION**

<b><u>Company Name</u></b>	<b><u>Case No.</u></b>	<b><u>Issues</u></b>
Ameren Missouri (Electric)	EA-2023-0286	Plant in Service Accounting, Operation and Maintenance Expense
Confluence Rivers (Water and Sewer)	WR-2023-0006 SR-2023-0007	Electric Expense, Chemical Expense, Operating Revenue, Miscellaneous Revenue, Uncollectible Expense, Water Losses, Water Expense
Ameren Missouri (Electric)	ER-2022-0337	Payroll & Related Payroll Taxes Employee Benefits.
Spire-Investor (Gas)	GR-2022-0179	Prepayments, Customer Deposits, Customer Advances, Rents and Leases Expense, Materials & Supplies, Plant In Service and Depreciation Reserve, Injuries & Damages, PSC Assessment, Insurance Expense, Line Locating Costs, Fuel Expense, Software and IT Costs, Capitalized O&M Depreciation, Natural Gas Inventory
Ameren Missouri (Electric)	ER-2021-0240	Payroll & Related Payroll Taxes Employee Benefits, Employee Relocation Expenses MEEIA Test Year Labor and Non-Labor Expenses Non-Labor Power Plant maintenance Severance costs Permanent Cleaning procedures Call Center Costs Cybersecurity, software OPEB, Pension & trackers , SERP Non-qualified expense External Audit fees

<u>Company Name</u>	<u>Case No.</u>	<u>Issues</u>
Ameren Missouri (Gas)	GR-2021-0241	Payroll & Related Payroll Taxes Employee Benefits, Employee Relocation Expenses Non-Labor Distribution maintenance Severance costs Permanent Cleaning procedures Call Center Costs Cybersecurity, software OPEB, Pension & trackers , SERP Non-qualified pension expense External Audit fees
Missouri American Water Company (Water)	WR-2020-0344	Leases (Rents and Transportation), Rate Case Expense, Telecommunication Expense
Ameren Missouri (Electric)	ER-2019-0335	Payroll & Related Payroll Taxes Employee Benefits, Employee Relocation Expenses MEEIA Test Year Labor and Non-Labor Expenses Callaway Refueling OT Labor and non-Labor Real & Property Taxes Non-Labor Power Plant maintenance Dues & Donations Miscellaneous Expenses Severance costs
Ameren Missouri (Electric)	EA-2019-0371	CCN Filing

<u>Company Name</u>	<u>Case No.</u>	<u>Issues</u>
Ameren Missouri (Gas)	GR-2019-0077	<p><b>Rate Base Items:</b> Prepayments, customer advances, customer deposits, Plant in service, Accumulated Reserve, natural gas inventories, materials and supplies</p> <p><b>Revenues:</b> Customer Growth/seasonality, Removal of GRT, PGA, Unbilled Revenue, Provision for Rate Refunds, and Other Revenues</p> <p><b>Expenses:</b> Uncollectible Expense, Capitalized depreciation, Non Labor Distribution Maintenance, and Interest on Customer Deposits</p> <p>Filed Direct, Surrebuttal/True-Up</p>
Liberty Midstates Natural Gas (MNG)	GR-2018-0013	<p>Advertising, Miscellaneous expenses, Insurance expense, regulatory expense, Environmental expense, Dues and Donations</p> <p>Filed Direct, Surrebuttal/True-Up</p>