

Exhibit No:

Issue: Minimum Filing Requirements

Witness: William G. Stannard

Type of Exhibit: Direct Testimony

Case No: WR-2024-0104 and
SR-2024-0105

Date Testimony Prepared: August 20, 2024

**DIRECT TESTIMONY
OF
WILLIAM G. STANNARD**

ON BEHALF OF

HOLIDAY INN CLUB VACATION, INC.

HOLIDAY INN CLUB VACATION, INC.

CASE NO. WR-2024-0104

August 20, 2024

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

In the matter of Liberty Utilities (Missouri) File No. WR-2018-0170
Water) LLC's Application for Rate Increase.) SR-2018-0171

State of Missouri)
) SS
County of Jackson)

Affidavit of William Stauard

William G. Stannard, being first duly sworn, on his oath states:

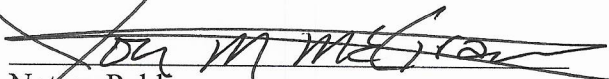
1. My name is William Stannard. I am a consultant with Raftelis Financial Consultants, Inc., having its principal place of business at 215 West Pershing Road suite 406, Kansas City, Missouri 64108. We have been retained by Holiday Inn Club, Inc. in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my direct testimony which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. WR-2024-0104 and SR-2024-0105.
3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.



William G. Stannard

Subscribe and sworn to before me this 17 day of August 2024.





Notary Public

Table of Contents

BACKGROUND OF WITNESS..... 4

PRINCIPAL ISSUES

 DEPRECIATIONEXPENSE..... 5

 REDUCTION IN REVENUES..... 7

SCHEDULE A A-1

1 **BACKGROUND OF WITNESS**

2
3
4 **Q. Please state your name and business address.**

5 A. My name is William G. Stannard, and my business address is 215 W. Pershing Road,
6 Suite 406, Kansas City, Missouri, 64108.

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

8 A. I am Chair Emeritus of the Board of Directors and Executive Vice President of Raftelis
9 Financial Consultants, Inc., a firm specializing in the provision of financial and
10 management consulting services to the water and wastewater utility industry.

11 **Q. Please describe your educational background and work experience.**

12 A. Schedule A provides a detailed description of my education and prior work experience.

13 **Q. Was this testimony prepared by you or under your direct supervision?**

14 A. Yes.

15 **Q. And is it true and correct to the best of your knowledge?**

16 A. Yes.

17 **Q. Please briefly describe your role in this proceeding.**

18 A. I have been retained as an expert witness by Holiday Inn Club, Inc. (“HICV”), a
19 water and sewer customer of Liberty Utilities (Missouri Water), LLC (referred to as
20 “Liberty”). I have been retained to analyze the testimony and workpapers provided by
21 Liberty and to testify on HICV’s behalf in this proceeding.

22 **Q. Please provide a summary of your testimony.**

23 A. My testimony addresses two revenue requirement issues included in Liberty’s direct
24 case: (1) depreciation expense and (2) revenue reductions. Specifically, I note the greatly
25 increased depreciation expense from prior cases and the improbably and unsupported

1 assumption that certain categories of plant have a negative net salvage value. With respect to
2 revenue reductions I note that Liberty should not be reducing its revenues for expenses it
3 failed to bill for. In light of the substantial revenue increase sought by Liberty in this case, I
4 reserve the right to raise additional issues later in this proceeding.

5 **PRINCIPAL ISSUES**

6 **DEPRECIATION EXPENSE**

7 **Q. What is the amount of depreciation expense that Liberty seeks to charge to**
8 **customers?**

9 A. Liberty seeks to recover annual depreciation expense totaling \$3,561,269.

10 **Q. How does this compare to the amount of depreciation expense from Liberty's last**
11 **rate case impacting HICV?**

12 A. The depreciation expense in Liberty's last water rate case, Dkt No. WR-2018-0170, was
13 \$426,971.

14 **Q. Is there a specific aspect of depreciation expense that you challenge?**

15 A. Yes, I challenge the proposed changes to the salvage value of Liberty's various
16 categories of assets. Liberty witness Dane A. Watson presents the results of his recent
17 depreciation study performed on behalf of Liberty. Mr. Watson has proposed modifications
18 to the salvage value percentages for most of Liberty's water and wastewater asset accounts.
19 In all cases addressed in the study the proposed modifications either reduced the salvage value
20 or increased the estimated cost of disposal of the asset at the end of its useful life, which are
21 reflected as negative salvage value percentages. I find the conclusion that *all* categories of
22 plant in the study have a negative net salvage value unsupported by any objective evidence
23 and improbable give the increased costs of materials and supplies in today's market.

1 **Q. Please explain how Liberty addressed net salvage value in its depreciation study.**

2 A. Liberty applies the results of its depreciation study in calculating the annual depreciation
3 expense included in its proposed revenue requirement described in the direct testimony of
4 Cindy S. Wilson. As noted in Ms. Wilson's testimony, Liberty relies on Mr. Watson's
5 depreciation study to propose new annual depreciation rates applied to the adjusted test year
6 plant in service resulting in depreciation expense of \$3,561,269 over the proposed adjusted
7 test year, which is an increase of 73.3% over the actual booked test year depreciation expense.

8 **Q. What support did Liberty provide for this claim?**

9 A. In his direct testimony Mr. Watson refers to a Company engineering consultant as the
10 source for estimated salvage values but provides no further documentation and there is no
11 objective evidence supporting the study beyond the alleged statement of a Company
12 employee with a stake in the outcome of this proceeding. CPC submitted its Data Request
13 8508 to Liberty requesting any and all reports and work papers of the Company engineer
14 regarding the net salvage factors, and I will supplement my testimony as necessary when and
15 if these materials are supplied by Liberty.

16 **Q. What is net salvage value?**

17 A. Net salvage value reflects the estimated value of a retired asset sold for scrap minus the
18 costs of removal. A negative net salvage value means that the utility estimates that the cost
19 of disposal will be greater than any scrap value of the asset. Notably, retired assets are
20 generally replaced with new assets, so much of the activity surrounding removing the pipe,
21 such as excavation and land restoration, is the same activity is the same activity used in
22 installing new pipe. Including these costs in both the calculation of net salvage value and
23 for installation double counts the cost.

1 **Q. Did Liberty provide any objective evidence of its claims that all of the addressed**
2 **categories of plant have a negative net salvage value?**

3 A. Liberty provides no detailed workpapers or reports supporting the calculations of the
4 negative net salvage values.

5 **Q. Do you find it plausible that so many categories of plant have negative net salvage**
6 **values?**

7 A. It is difficult to accept the significant changes proposed to the net salvage values from
8 those previously approved by the Commission without adequate information supporting such
9 changes.

10 **Q. In your experience, have you seen industry trends that support or detract from**
11 **this claim?**

12 A. In recent years there has been a marked increase in the costs of material and supplies
13 used in the water utility industry. This has increased the market for scrap metals for recycling
14 or rehabilitating the asset for sale to other utilities, businesses, or individuals.

15 **Q. What is your recommendation?**

16 A. I do not believe that Liberty has met its burden of proof for the proposed changes to its
17 annual depreciation rates and net salvage value factors used for calculating its annual
18 depreciation expense included in its requested revenue requirement. Given its lack of support
19 the Commission should rely on the prior approved depreciation rates in calculation of
20 Liberty's water and wastewater rates in this Docket.

21 **REDUCTION IN REVENUES**

22 **Q. Please explain how Liberty's revenues fit into the ratemaking equation.**

23 A. Liberty is allowed to recover its reasonable costs and have a reasonable opportunity to

1 earn a reasonable return on its investment. The amount of revenues generated under current
2 rates figures into how much Liberty needs to increase its rates to recover its reasonable costs.
3 In essence, Liberty in this case seeks to recover the difference between its current revenues
4 and its proposed revenue requirement. So any reduction in current revenues leads to a higher
5 amount to recover under new rates.

6 **Q. What amount of revenues does Liberty seek to reduce as part of this case?**

7 A. Liberty proposes to reduce its test year revenues under existing rates by \$1,064,998, but
8 my complaint in this testimony relates to its proposal to remove \$299,940 in “unbilled”
9 revenues. I reserve the right to address other aspects of Liberty’s adjustments to test year
10 revenues later in the proceeding.

11 **Q. How does Liberty treat unbilled revenues in its proposed case?**

12 A. Liberty witness Wilson proposes to remove revenue equal to the amount if revenue it
13 did not bill, which is found at page 19 line 10 of her direct testimony. Ms. Wilson states that
14 the billing determinants do not include the determinants related to the unbilled revenues.

15 **Q. Is it not Liberty’s responsibility to appropriately bill for the revenues it believes it
16 is entitled to?**

17 A. Yes, the responsibility for the appropriate billing of customers for water and wastewater
18 services rests with Liberty.

19 **Q. Does the removal of unbilled revenues have other consequences for Liberty’s
20 proposed rates?**

21 A. Failure to incorporate the customer account data for the unbilled revenue in the test year
22 billing determinants results in an improper increase in Liberty’s proposed rates and shifts the
23 costs of the unbilled revenues to Liberty’s rate payers instead of the company.

1 **Q. What is your proposal with respect to Liberty's treatment of unbilled revenues?**

2 A. I propose that the billing determinants used for calculation of the water and wastewater
3 rates include the amounts related to Liberty's unbilled revenues during its test year.

4 **Q. Does this conclude your testimony?**

5 A. Yes.

SCHEDULE A

William Stannard PE

Chairman
Raftelis Financial Consultants, Inc. (Raftelis)

PROFILE

Bill joined Raftelis in 2002 following 27 years of consulting with a major engineering, consulting and construction company headquartered in Kansas City, Missouri. At that company Bill served as the head of its management consulting division, which assisted investor and municipally owned utilities with managerial, operational, and financial challenges. His experience includes development of ordinances and financial procedures for complying with the Clean Water Act and the Safe Drinking Water Act, comprehensive cost of service studies, bond feasibility reports, project financial feasibility analyses, organizational and management reviews, and utility competitiveness studies. Bill has prepared more than 90 consulting engineers reports/financial feasibility studies in support of more than \$6 billion of water and wastewater revenue bonds. He was named President and Chief Executive Officer of the firm in 2010 where was responsible for leading the Firm's staff in business development and production of work for clients. In 2016 Bill transitioned to Chairman of the Board and continues serves as Principal in Charge and Manager on numerous client engagements. A listing of the clients he has served during his career includes:

PROFESSIONAL EXPERIENCE

Alabama

- Birmingham Water Works Board
- Jasper Water Board
- Jefferson County Wastewater

Arizona

- City of Phoenix
- Pima County Wastewater

California

- City of Los Angeles Bureau of Sanitation
- City of Los Angeles Department of Water and Power
- Metropolitan Water District of Southern California (Los Angeles, CA)
- City of San Diego
- City of San Francisco Public Utilities Commission
- Armor Foods (Turlock, CA)
- Monterey Peninsula Water Management District

Colorado

- Town of Grand Lake
- Littleton Sewer Rate Coalition



Specialties

- Cost of service and rate studies
- Financial planning studies
- Valuation and acquisitions
- Bond forecasts and examinations
- Regionalization studies
- Strategic planning
- Management policy and practice
- Environmental finance and accounting

Professional History

- Raftelis: Chairman of the Board (2017-present); Chief Executive Officer (2012-2016); President (2008-2016); Vice President (2002-2008)
- Black & Veatch: Senior Vice President (1996-2002); Vice President (1992-1996); Project Manager (1984-1992); Assistant Project Manager (1980-1984); Staff Consultant (1975-1980)

Education

- Bachelor of Science in Business Administration - Kansas State University (1975)
- Bachelor of Science in Civil Engineering - Kansas State University (1975)

Professional Registrations

- Registered Professional Engineer: ; OH (PE 57725); MA (38847); KS - 1979 (8636)

Professional Memberships

- American Society of Civil Engineers
- AWWA: Past-Chair of the Management & Leadership Division, Former Trustee of the Technical & Education Council, Past- Chair & Current member of the Finance, Accounting & Management Controls Committee, current member of the Rates & Charges Committee
- WEF: Past-Chair of Task Force on Wastewater Charges
- WEF: Member Government Affairs Committee
- Kansas State University College of Engineering Advisory Council: Emeritus member
- National Society of Professional Engineers
- EPA Environmental Financial Advisory Board Member

Illinois

- City of Bloomington
- City of Peoria
- City of Carbondale
- Northwest Water Commission

District of Columbia

- DC Water

Georgia

- City of Atlanta
- City of Columbus
- Gwinnett County

Indiana

- City of Bloomington
- City of Columbus
- City of Evansville
- Indianapolis Water Company

Iowa

- City of Des Moines

Kansas

- City of Olathe
- City of Topeka
- City of Wichita
- City of Valley Center

Kentucky

- Boone County Water District
- Hardin County Water District No. 1
- Lexington-Fayette Urban County Government

Louisiana

- New Orleans Sewerage and Water Board

Maryland

- City of Baltimore
- Howard County
- Loudoun County
- Washington Suburban Sanitary Commission

Massachusetts

- Massachusetts Water Resources Authority
- Merrimack Paper Company (Lawrence, MA)
- City of Saugus

Michigan

- City of Alpena
- Bay County
- City of Detroit
- City of Flat Rock
- City of Flint
- City of Grand Rapids
- City of Holland
- City of Kalamazoo
- City of Lansing
- Macomb County
- Oakland County
- City of Saginaw
- City of Warren
- City of Wyoming
- State of Michigan
- Great Lakes Water Authority
- Downriver Utilities Wastewater Authority

Mississippi

- City of Jackson

Missouri

- City of Columbia
- City of Gladstone
- City of Kansas City
- City of Jefferson
- City of Lee's Summit
- City of North Kansas City
- City of St. Joseph
- Silverleaf Resorts, Inc.
- South St. Joseph Industrial Sewer District
- St. Louis Metropolitan Sewer District

Montana

- Water District of Billings Heights

New Jersey

- Seton Leather Company (Newark, NJ)

New Mexico

- City of Hobbs

Nevada

- City of Boulder City
- Clark County Water Reclamation District
- City of Henderson

New York

- City of New York

North Carolina

- Orange County Water and Sewer Authority
- City of Winston-Salem

Ohio

- City of Akron
- City of Cincinnati
- Cincinnati Metropolitan Sewer District
- City of Lakewood
- City of Loveland
- Northeast Ohio Regional Sewer District
- City of Mason
- City of Middletown

Oregon

- City of Corvallis
- City of Portland

Pennsylvania

- Alleghany County Sanitary Authority
- Pittsburgh Water and Sewer Authority
- City of Philadelphia

South Carolina

- City of Charleston
- City of Columbia

Texas

- City of Arlington
- City of Austin
- City of Dallas
- City of Denton
- City of Fort Worth

- City of Houston
- City of Round Rock
- City of San Antonio
- Silverleaf Resorts, Inc.
- Tarrant Regional Water District

Virginia

- Arlington County
- Chesterfield County
- Loudoun County
- City of Portsmouth
- City of Richmond
- City of Suffolk
- City of Virginia Beach

Washington

- City of Seattle

Wisconsin

- City of Franklin
- City of Kaukauna
- City of Milwaukee
- Milwaukee Metropolitan Sewer District
- City of Waukesha

Canada

- Regional Water Customers Group, Edmonton, AB
- City of Calgary, AB
- Strathcona County, AB

Commonwealth of Puerto Rico

- Puerto Rico Water and Sewer Authority
- Gran Melia Hotels, Puerto Rico

International

- Bangkok – Trade Development Agency
- Cairo – USAid
- Lima, Peru – World Bank
- Oman

Federal

- United States Navy

EXPERT WITNESS AND LITIGATION SUPPORT EXPERIENCE (SINCE 2012)

Columbia (SC)

Cumberland, Gardner and Ugino vs City of Columbia. In the Court of Common Pleas Fifth Judicial Circuit, C/A No. 2011-40-6705

City of Alpena (MI)

City of Alpena, MI vs Township of Alpena, MI. In the 26th Circuit Court of the County of Alpena. Case No. 14-6077 CR

American Arbitration Association

Silverleaf Resorts, INC v. Algonquin Water Resources of America, INC and Algonquin Water Resources of Illinois, LLC. Case No. 01-18-0002-2510. Provided expert testimony on behalf of Silverleaf Resorts, INC

City of Wilmington v. New Castle County. Case No. 01-19-0000-08779. Provided expert report and testimony on behalf of New Castle County.

PUBLIC SERVICE COMMISSION APPEARANCES

Missouri Public Service Commission

In the Matter of Liberty Utilities LLC's Application for Rate Increase. File No. WR-2018-0170 and SR-2018-0171. Provided expert testimony on behalf of Silverleaf Resorts, Inc. and Orange Lake Country Club, intervenors.

Wisconsin Public Service Commission

Application of the City of Waukesha, as a Water Public Utility, for Authority to Construct Water Transmission Main, a Booster Station, Reservoirs, and a Water Supply Control Building. Docket No. 6240-CW-117. Testified on behalf of the City of Waukesha

Petition of the City of Kaukauna in opposition to sewer rates proposed by the Heart of the Valley Municipal Sewer District. Docket No. 9300-SI-106. Testified on behalf of the City of Kaukauna.

Maryland Public Service Commission

In the Matter of the Formal Complaint of Gordon Brenne v. The Washington Suburban Sanitary Commission. Case No. 9625. Provided expert testimony on behalf of The Washington Suburban Sanitary Commission.

Texas Public Utilities Commission

Application of Liberty Silverleaf Utilities (Silverleaf Water) LLC. PUC Docket No. 47976. Provided expert testimony on behalf of Silverleaf Resorts, INC.

Petition of Paloma Lake Municipal Utility District No. 1, Paloma Lake Municipal Utility District No. 2, Vista Oaks Municipal Utility District, Williamson County Municipal Utility District No. 10, and Williamson County Municipal Utility District No.11 appealing the rate making actions of the City of Round Rock in Travis and Williamson Counties. Provided expert testimony on behalf of the City of Round Rock.

PUBLICATIONS/PRESENTATIONS

- The Effective Water Professional, Leadership, Communication, Management, Finance, and Governance. The Water Environment Federation 2015
- Water and Wastewater Finance and Pricing – The Changing Landscape, CRC Press 2015
- “Financing Strategies to Promote System Regionalization”, US EPA Environmental Financial Advisory Board 2019
- Funding for Pre-Disaster Resiliency, US EPA Environmental Financial Advisory Board 2019
- “Backhaul Alaska Consultation”. US EPA Environmental Financial Advisory Board, 2020
- “Evaluating Stormwater Infrastructure and Financing”, US EPA Environmental Financial Advisory Board 2020
- “Utilizing EUM to Develop a Strategic Plan for a Large Utility”, Utility Management Conference, February 2011.
- “Declining Water Use – Surviving the New Normal”. American Water Works Annual Conference, June 2012.
- “The Effective Water Professional”, Utility Management Conference Leader Forum, February 2017.
- “The Changing Landscape of Utility Leadership, Management and Economics”, NACWA Summer Leadership Conference, July 2018.