

*Exhibit No.:*

*Issue(s): Fuel and Purchased Power,  
Customer First Program Operations  
& Maintenance (O&M)*

*Witness: Keith D. Foster*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Direct Testimony*

*Case No.: WR-2024-0104*

*Date Testimony Prepared: August 20, 2024*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL & BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**DIRECT TESTIMONY**

**OF**

**KEITH D. FOSTER**

**LIBERTY UTILITIES (Missouri Water) LLC,**

**d/b/a Liberty**

**CASE NO. WR-2024-0104**

*Jefferson City, Missouri*

*August 20, 2024*

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DIRECT TESTIMONY OF  
KEITH D. FOSTER  
LIBERTY UTILITIES (Missouri Water) LLC,  
d/b/a Liberty  
CASE NO. WR-2024-0104**

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1 employed by this Commission as a Regulatory Auditor for over 16 years, and have submitted  
2 testimony on ratemaking matters numerous times before the Commission. I have performed  
3 and led rate audits and prepared miscellaneous filings as ordered by the Commission.  
4 In addition, I reviewed all exhibits and testimony on assigned issues, developed accounting  
5 adjustments, and issued positions which are supported by workpapers and written testimony.  
6 For cases that did not require prepared testimony, I prepared Staff Recommendation  
7 Memorandums. I have also been responsible for the supervision of other Commission  
8 employees in rate cases and other regulatory proceedings.

9 **EXECUTIVE SUMMARY**

10 Q. What is the purpose of your direct testimony?

11 A. The purpose of this testimony is to discuss Staff's position on the issues of Fuel  
12 and Purchased Power and the Customer First Program's Operations & Maintenance  
13 ("O&M") Expense.

14 **FUEL AND PURCHASED POWER**

15 Q. Please explain fuel and purchased power in this case.

16 A. Liberty Utilities (Missouri Water) LLC, d/b/a Liberty ("Liberty Water") incurs  
17 electric expense for both its water and sewer operations. Electricity usage associated with water  
18 pumps is recorded to Account Number 6230, Purchased Power – Operations – Pumping.  
19 Electricity usage associated with the sewer pumping stations is recorded to Account  
20 Number 7210, Fuel & Power – Operations – Pumping, while electricity associated with the  
21 treatment plants is recorded to Account Number 7430, Fuel & Power - Operations – Treatment  
22 & Disposal.

1 Q. Please explain Staff's adjustments to the test year amounts for the  
2 aforementioned fuel and purchase power accounts.

3 A. Staff reviewed Liberty Water's general ledger entries from January 2022  
4 through March 2024 for each of the fuel and purchase power accounts, separated by system.  
5 Staff then compared the invoices provided by Liberty Water in its responses to Staff's Data  
6 Request ("DR") Numbers 0134 and 0135, to the corresponding general ledger entries. If there  
7 were any discrepancies between the invoices and the general ledger entries, Staff made a note  
8 and applied any adjustments to correct them. Most discrepancies were for payments applied to  
9 incorrect systems and for late payment fees that were not recorded below-the-line. Finally,  
10 Staff adjusted the test year amounts for each system using the actual fuel and purchase power  
11 expenses (adjusted for any aforementioned discrepancies) for the most recent 12 months  
12 invoices recorded in Liberty Water's general ledger ending March 2024. This ensures that  
13 Staff's recommended revenue requirement reflects the most current fuel and purchase power  
14 costs, capturing the most current usage and rates being charged by the suppliers.

15 Q. Were there any other adjustments applied?

16 A. Yes. An additional adjustment was applied to the Noel water system to reflect  
17 the October 2023 closure of the Tyson Foods processing facility, which represented a  
18 significant reduction in fuel and purchase power expense within that territory. Staff calculated  
19 the adjustment by annualizing the expense based on actual electric bills issued since the closure  
20 of the plant which Staff then compared to the test year expense to determine the amount of  
21 the adjustment.

22 Q. What is the total amount of adjustments Staff is recommending?

1           A.     The total adjustment to Account Number 6230 is \$116,333. The total adjustment  
2 to Account Number 7210 is \$6,243. The total adjustment to Account Number 7430 is  
3 negative \$1,600.

4 **CUSTOMER FIRST PROGRAM OPERATIONS & MAINTENANCE (O&M)**  
5 **EXPENSE**

6           Q.     Is Liberty Water seeking to include costs for ongoing O&M expense related to  
7 the Customer First program in this case?

8           A.     Yes. According to Liberty Water's updated workpaper the estimated  
9 enterprise-wide base annual spend for this O&M expense is \$17,048,408, of which \$160,762 is  
10 allocated to Liberty Water. Liberty Water proposes to include this amount in rates in this case,  
11 with \$131,024 allocated to the water systems and \$26,175 allocated to the sewer systems.  
12 However, these are budgeted amounts that are not known and measurable at this time.  
13 In addition, the actual implementation of Customer First at Liberty Water began with the  
14 implementation of the customer billing components in April 2024, the end of the update period  
15 for this case.

16          Q.     What is Staff's recommendation?

17          A.     The Customer First system at Liberty Water has not been fully operational  
18 within the update period for this case. No empirical actual expense data has been provided for  
19 Staff to calculate a prudent ongoing amount of O&M expense to recommend in this case.  
20 Therefore, Staff recommends not including any O&M expense until such a time that there is  
21 sufficient actual expense data available to calculate an ongoing annualized expense to propose.

22          Q.     Does this conclude your prepared direct testimony in this proceeding?

23          A.     Yes, it does.

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

In the Matter of the Request of Liberty Utilities )  
(Missouri Water) LLC d/b/a Liberty for ) Case No. WR-2024-0104  
Authority to Implement a General Rate )  
Increase for Water and Wastewater Service )  
Provided in its Missouri Service Areas )

**AFFIDAVIT OF KEITH D. FOSTER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW KEITH D. FOSTER** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Keith D. Foster*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**KEITH D. FOSTER**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 12<sup>th</sup> day of August 2024.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: April 04, 2025 Commission Number: 12412070
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Notary Public

## Keith D. Foster

### Summary of case participation:

Case/Tracking Number	Company Name - Issue
QW-2008-0010	<b>Tri-States Utility, Inc.</b> - Property Taxes; Fuel & Electricity Expense; Telephone Expense; Rent Expense; Plant in Service; Depreciation Schedule, Reserve, Rates, and Expense; Transportation Expense; Chemicals Expense; Waste Disposal; Insurance Expense; Contractual Services; Bad Debt Expense; Miscellaneous Expenses
WR-2008-0311	<b>Missouri-American Water Company</b> - Advertising & Promotional Items; Dues and Donations; Cash Working Capital; Plant in Service; Depreciation Expense; Depreciation Reserve; Franchise Tax; Property Taxes; Fuel & Electricity Expense; Telephone Expense; Postage Expense; Purchased Water; Prepayments; Materials & Supplies; Customer Advances; Contributions in Aid of Construction (CIAC)
WR-2009-0098	<b>Raytown Water Company</b> - Materials & Supplies; Prepayments; Customer Deposits; Revenues; Insurance Expense; Utilities Expense; Directors Fees; Office Supplies Expense; Postage Expense; Laboratory Fees; Transportation Expenses; Rate Case Expense; Regulatory Commission Expense
GO-2009-0302	<b>Missouri Gas Energy</b> - Infrastructure Service Replacement Surcharge (ISRS)
SA-2009-0319	<b>Mid-MO Sanitation, LLC</b> – Certificate Case; All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
GR-2009-0355	<b>Missouri Gas Energy</b> – Payroll, Payroll Taxes, 401(k), and Other Employee Benefit Costs; Incentive Compensation and Bonuses; Medical and Dental Expense; Bad Debt Expense; Rate Case Expense; Pension Expense; FAS106/OPEBs; Prepaid Pension Asset (PPA); Franchise Tax Expense; Income Tax Expense
SR-2010-0095	<b>Mid-MO Sanitation, LLC</b> – Full Audit of All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
ER-2010-0130	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Off-System Sales; Transmission Revenue; Payroll, Payroll Taxes, and 401(k) Benefit Costs; Incentive Compensation; Maintenance Normalization Adjustments



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Case/Tracking Number	Company Name - Issue
WR-2010-0304	<b>Raytown Water Company</b> – Revenues; Rate Case Expense; Regulatory Commission Expense; Utilities Expense; Purchased Water; Insurance Expense; Laboratory Fees; Communication Expense; Transportation Expense
GO-2011-0003	<b>Missouri Gas Energy</b> - Infrastructure Service Replacement Surcharge (ISRS)
ER-2011-0004	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Maintenance Normalization Adjustments; Miscellaneous Revenues (SO2 Allowances and Renewable Energy Credits); Operations and Maintenance (O&M) Expenses for Iatan 2 and Plum Point; Transmission Revenue; Entergy Transmission Contract; Reconciliation
WR-2011-0337	<b>Missouri-American Water Company</b> – Belleville Lab Allocations; Chemical Expense; Corporate and District Allocations; Fuel & Electricity Expense; Service Company Management Fees; Business Transformation Program; Reconciliation
WR-2012-0300	<b>Empire District Electric (Water)</b> – Plant-in-Service; Depreciation Reserve; Depreciation Expense; Materials and Supplies; Property Tax Expense; Customer Advances; Operations and Maintenance (O&M) Adjustment
WM-2012-0335	<b>Moore Bend Water Company</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense
ER-2012-0345	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Maintenance Normalization Adjustments (Operations and Maintenance Expense); Operations and Maintenance (O&M) Expense Trackers for Iatan 2, Iatan Common, and Plum Point; Entergy Transmission Contract; Reconciliation
WR-2013-0461 SR-2013-0459	<b>Lake Region Water &amp; Sewer</b> – Executive Management Fees; Current Income Taxes; Deferred Income Taxes; Payroll and Benefits; Payroll Taxes; Allocation Factors; Sludge Removal; Accounting Fees; Legal Fees (Other Than Rate Case Expense); Billing Expense; Outside Services; Travel & Entertainment Expense; Transportation Expense
GR-2014-0086	<b>Summit Natural Gas</b> – Acquisition Costs; Affiliate Transactions; Fuel Expense; Property Taxes; Other Miscellaneous Expenses; Income Taxes; Deferred Taxes; and Reconciliation

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Case/Tracking Number	Company Name - Issue
WA-2015-0049 SA-2015-0107	<b>Branson Cedars Resort</b> – Certificate Case - All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
WA-2015-0108	<b>Missouri-American Water Company (Redfield Water)</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense
WO-2015-0077	<b>Woodland Manor Water Company</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense; CIAC; Customer Deposits
WR-2015-0192	<b>Ozark International, Inc.</b> – Plant-in-Service; Depreciation Reserve; Depreciation Expense; CIAC; Customer Deposits; Chemicals Expense; Legal Expense; Office Expense; Postage; Water Testing Expense; Gas & Oil Expense
ER-2016-0023	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Software Maintenance Expense; Corporate Allocations; Outside Services; Iatan and Plum Point Carrying Costs
WR-2017-0110 SR-2017-0109	<b>Terre Du Lac Utilities Corporation</b> – Maintenance Expense; Rate Case Expense; Internet Service Expense; Telephone Expense; Payroll and Benefits; Payroll Taxes; Outside Services; Mileage Expense
WR-2017-0285 SR-2017-0286	<b>Missouri-American Water Company</b> – Central Lab Allocations; Corporate, Service Company, and Jurisdictional Allocations; Hydrant Painting; Income Taxes; Main Break Expense
HR-2018-0341	<b>Veolia Energy Kansas City</b> – Plant in Service; Accumulated Deferred Income Taxes; Fuel Expense; Consumables Expense; Insurance Expense; Outside Services; Property Taxes.
GO-2019-0115 GO-2019-0116	<b>Spire Missouri</b> – Infrastructure Service Replacement Surcharge (ISRS)
SA-2019-0334	<b>Missouri-American Water Company (Hillers Creek Sewer)</b> – Acquisition Case – Lead Auditor
SA-2020-0132	<b>Missouri-American Water Company (Clinton Estates Sewer)</b> – Acquisition Case – Lead Auditor
SA-2020-0067	<b>Liberty Utilities (Saver’s Farm Sewer)</b> – Acquisition Case – Lead Auditor

**Keith D. Foster**

Case/Tracking Number	Company Name - Issue
ER-2019-0374	<b>Empire District Electric</b> – Accumulated Deferred Income Tax (ADIT); Current and Deferred Income Tax; Southwest Power Pool (SPP) Revenues and Expenses; Corporate Allocations; Corporate Expenses.
WM-2020-0156	<b>Liberty Utilities (Missouri Water), LLC (Empire District Electric (Water))</b> – Acquisition Case – Lead Auditor
ER-2020-0311	<b>Empire District Electric</b> – FAC Case
WR-2020-0344 SR-2020-0345	<b>Missouri-American Water Company</b> – Pensions & OPEBs; Defined Contribution Plan (DCP) Expense; Accumulated Deferred Income Taxes (ADIT); Income Taxes
SA-2021-0120	<b>Missouri-American Water Company (City of Taos Sewer)</b> – Acquisition Case – Lead Auditor
WA-2021-0116	<b>Missouri-American Water Company (Table Rock Estates Water)</b> – Acquisition Case – Lead Auditor
SR-2021-0372	<b>Mid-MO Sanitation, LLC</b> – Lead Auditor
WO-2021-0343	<b>Missouri-American Water Company</b> – Infrastructure Service Replacement Surcharge (ISRS)
ET-2020-0259	<b>Empire District Electric</b> – Community Solar Application
ER-2021-0312	<b>Empire District Electric</b> - Accumulated Deferred Income Tax (ADIT); Current and Deferred Income Tax; Southwest Power Pool (SPP) Revenues and Expenses; Low Income Pilot Program (LIPP) Amortization; Plant in Service Accounting (PISA) Amortization.
GR-2021-0320	<b>Empire District Gas</b> – Co-Case Coordinator - Accumulated Deferred Income Tax (ADIT); Current and Deferred Income Tax; Rate Case Expense Sharing
WM-2022-0186	<b>Foxtire Utility Co.</b> – Merger Case – Lead Auditor
WR-2022-0303 SR-2022-0304	<b>Missouri-American Water Company</b> – Co-Case Coordinator – Revenue Requirement; Current and Deferred Income Tax; Excess ADIT Stub Period Amortization; Tax Cuts and Job Act of 2017 (TCJA) Excess ADIT Tracker Amortization and Balance
WR-2023-0344	<b>Raytown Water Company</b> – Informal Rate Case – Auditing Oversight
SR-2024-0206	<b>United Services, Inc.</b> – Informal Rate Case – Auditing Oversight