

Exhibit No.:
Issue(s): Revenue Requirement,
Corrections
Witness: Lisa M. Ferguson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2024-0106
Date Testimony Prepared: August 22, 2024

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

LISA M. FERGUSON

LIBERTY UTILITIES (Midstates Natural Gas) CORP.,

d/b/a Liberty

CASE NO. GR-2024-0106

Jefferson City, Missouri
August 2024

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LISA M. FERGUSON
LIBERTY UTILITIES (Midstates Natural Gas) CORP.,
d/b/a Liberty
CASE NO. GR-2024-0106**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **LISA M. FERGUSON**

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

5 **d/b/a Liberty**

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

7 Q. Please state your name and business address.

8 A. My name is Lisa M. Ferguson, 111 North 7th Street, Suite 105, St. Louis,
9 MO 63101.

10 Q. By whom are you employed?

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as
12 a member of the Auditing Staff (“Staff”).

13 Q. Are you the same Lisa M. Ferguson who filed revenue requirement direct
14 testimony filed July 18, 2024 in this case?

15 A. Yes, I am.

16 Q. What is the purpose of your rebuttal testimony?

17 A. My rebuttal testimony will update the Commission regarding a change in
18 Staff’s revenue requirement position from direct after inclusion of some error corrections and
19 updates in position. Staff’s rebuttal Accounting Schedules are being filed concurrently with
20 this testimony.

21 **REVENUE REQUIREMENT**

22 Q. What was Staff’s revenue requirement for Liberty Midstates’ gas operations in
23 direct testimony?

Rebuttal Testimony of
Lisa M. Ferguson

1 A. Staff’s revenue requirement was \$1,866,007 for the Southeast Missouri
2 (“SEMO”) district and \$2,503,512 for the Northeast and Western Missouri (“NEMO” and
3 “WEMO”) districts for a total revenue requirement of \$4,407,899 for Liberty Midstates
4 consolidated. Staff’s rebuttal accounting schedules now reflect a revenue requirement of
5 \$3,467,116 for the SEMO district and \$2,721,421 for the NEMO/WEMO district, for a total
6 consolidated revenue requirement increase of \$6,188,537. Staff’s rebuttal revenue requirement
7 represents an overall increase of \$1,780,638 million for Liberty Midstates overall from Staff’s
8 direct position.

9 Q. Please summarize the error corrections and updates Staff has made to its direct
10 filed position.

11 A. Listed below are the corrections and updates to Staff’s position that have been
12 reflected in Staff’s rebuttal accounting schedules. The Staff witness and items listed below are
13 explained further in the listed witness’ rebuttal testimony. The exceptions to this are the first
14 two items listed below. Paul K. Amenthor will not file rebuttal testimony regarding the removal
15 of test year unbilled revenue, as the error was simply a mathematical sign flip. Blair Hardin
16 will not file rebuttal testimony; however, a correction was made involving the removal of a
17 duplicate accumulated reserve adjustment within the direct accounting schedules.

- 18 • Test Year Unbilled Revenue Removal – Paul K. Amenthor
- 19 • Duplicate Accumulated Reserve Adjustment in Account 398 – Blair Hardin
- 20 • Payroll and Payroll Tax Expense – Benjamin H. Burton
- 21 • Dues and Donations Expense – Benjamin H. Burton
- 22 • Residential, Commercial, Industrial Revenue & Billing Determinants – Marina Stever
- 23 • Transportation Revenue and Billing Determinants – Justin Tevie
- 24 • Incentive Compensation – Jane C. Dhority
- 25 • Employee Benefits – Jane C. Dhority

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Lisa M. Ferguson

- 1 • Pensions and OPEBs¹ – Jane C. Dhority
- 2 • Property Taxes – Jane C. Dhority
- 3 • Depreciation Rates – Amanda Coffey
- 4 • Allocations – Lisa M. Ferguson
- 5 • Customer First Operations & Maintenance Expense – Lisa M. Ferguson
- 6 • Excess ADIT Amortization Period – Lisa M. Ferguson
- 7 • Accumulated Deferred Income Taxes (ADIT) – Lisa M. Ferguson

8 Q. In direct testimony, you mentioned that there was a small difference in the
9 revenue requirements for Liberty Midstates individual NEMO/WEMO and SEMO accounting
10 schedules as compared to the total consolidated Liberty Midstates accounting schedules. Has
11 this issue been resolved?

12 A. Yes. The \$38,380 difference stemmed from a duplicate accumulated reserve
13 adjustment discussed above, the calculation of negative reserve adjustments within the
14 consolidated accounting schedules, and some minor calculation errors within NEMO/WEMO's
15 ending accumulated reserve for a couple of FERC accounts.

16 Q. Based upon Staff's error corrections and updated adjustments for rebuttal, please
17 provide an update on the biggest differences between Staff and Liberty Midstates Gas' revenue
18 requirement at this point.

19 A. There are five main revenue requirement differences when comparing Staff's
20 Rebuttal position to Liberty Midstates' updated direct revenue requirement request:

- 21 • Return On Equity (ROE) and Capital Structure – Issue Value \$2.1 million
- 22 • ISRS Revenue – Issue Value \$2.0 million (Increase to Liberty Midstates
23 revenue requirement)

¹ Other Post-Employment Benefits (“OPEBs”).

- 1 • Revenue – Issue Value \$1.5 million (Decrease to Liberty Midstates revenue
- 2 requirement)
- 3 • Payroll and Payroll Taxes – Issue Value \$1.4 million
- 4 • Property Taxes – Issue Value \$1.3 million

5 **ERROR CORRECTIONS**

6 **Allocations**

7 Q. Please explain the error corrections regarding Staff’s position on
8 corporate allocations.

9 A. Staff needs to address two errors contained in its direct testimony position
10 regarding corporate allocations, one is calculation related and one is an inadvertent, factually
11 incorrect statement.

12 Q. Please explain Staff’s calculation error.

13 A. Staff’s position in direct was to restate test year corporate allocation factors, for
14 utilization in allocating direct costs, to the most current 2023 allocation factors as they
15 appropriately reflect the most current operating conditions within Liberty Utilities. Staff
16 utilized an incorrect allocation percentage for the energy procurement function that lies within
17 the Liberty Utilities Company (“LUC”) and Liberty Utility Services Company (“LUSC”) allocation
18 structure. The energy procurement allocation factor consists of a different weighting.
19 Rather than using a weighting of 40% customer count, 20% utility net plant and 40% Operation
20 and Maintenance (“O&M”), the energy procurement is weighted 50% utility net plant and
21 50% O&M per the cost allocation manual. Staff has corrected this error for an increase in
22 revenue requirement of approximately \$2,286.

1 Q. Please explain the incorrect statement made in your direct testimony.

2 A. On page 37, lines 1-17 of my direct testimony in this case, I state:

3 Concern #2 - APUC had not adequately supported the ratepayer
4 benefits expected to be derived from its incentive compensation
5 plans, nor has it supported the overall reasonableness of its
6 executive compensation package.

7
8 Staff Update: Please refer to Staff witness Jane C. Dhority's
9 direct testimony for discussion on direct and allocated incentive
10 compensation plans/bonuses and Staff's proposed adjustments
11 relating to earnings-based compensation. Staff requested Liberty
12 Midstates provide a current compensation study for board of
13 directors, officers, executives and remaining employees. First,
14 Liberty Midstates relayed that it has **

15
16
17 . ** Through Staff's payroll analysis, it was
18 discovered that **

19
20
21 . ** This does
22 not allow for Staff to directly determine the reasonableness of the
23 APUC and other executive compensation packages; but currently
24 there are no labor costs from APUC allocated to Liberty
25 Midstates Gas.

26 The discussion above is correct with the exception of the sentence that specifically states

27 "...but currently there are no labor costs from APUC allocated to Liberty Midstates Gas."

28 This is incorrect. There are no APUC "direct" labor costs allocated to Liberty Midstates but

29 there are APUC "indirect" labor costs allocated to Liberty Midstates. Due to this, Staff

30 recommends, along with the various recommendations stated in direct testimony, that the

31 Commission order Liberty Utilities to periodically perform compensation studies for employees

32 that are director level and above (in addition to those performed for the other employees).

33 Liberty Utilities should also perform periodic internal audits regarding time reporting to ensure

1 that the compensation levels allocated from APUC to the lower Liberty entities are reasonable
2 and accurate.

3 **Excess Accumulated Deferred Income Tax Amortization Period**

4 Q. Please describe the error that Staff had in its amortization period calculation to
5 return excess ADIT back to customers.

6 A. As I discussed in my direct testimony, the protected ADIT that is due to
7 depreciation related tax timing differences is to be returned to customers utilizing the Reverse
8 South Georgia Method for Liberty Midstates. This means that the excess ADIT must be
9 returned no sooner than the remaining life of the assets that gave rise to the tax timing
10 difference. In this case, Staff's calculation included a sign error reducing the average remaining
11 life of each asset account rather than increasing the average remaining life, by 2.5 years.
12 This increased Staff's proposal to return the excess ADIT back over 29.64 years rather than the
13 24.64 years reflected in Staff's direct testimony.

14 **Customer First Operations & Maintenance Expense**

15 Q. Did Staff have an error in its calculation of the O&M associated with
16 Customer First?

17 A. Unfortunately, yes. Due to the fact that Liberty Midstates' transition to
18 Customer First occurred approximately 3 months prior to the end of the update period in this
19 case, some of the associated O&M expense began to be incurred by Liberty Midstates but
20 continues to increase. Staff included known and measurable O&M expense for Customer First
21 in its direct case; however, in the calculation of its adjustment, Staff inadvertently adjusted out
22 non-Customer First related O&M that existed during the test year. Staff has corrected its

1 calculation to include the new annualized Customer First O&M on top of the ongoing
2 non-Customer First related O&M that is being recorded in the same FERC² account.

3 **Accumulated Deferred Income Tax**

4 Q. Please explain the correction that was included for ADIT.

5 A. After discussions with Liberty Midstates personnel, it was discovered that Staff
6 erroneously omitted the deferred income tax associated with the deferral of the excess ADIT.
7 As Staff is including the balance in rate base and the associated amortization in expense, it is
8 appropriate to include the deferred taxes within the ADIT offset to rate base.

9 **REBUTTAL - ACCUMULATED DEFERRED INCOME TAX**

10 Q. Please explain the change that Staff has included in its calculation of ADIT.

11 A. In direct, Staff did not include the deferred taxes related to fuel and commodity
12 cost adjustments, derivative assets, and the rate adjustment mechanism for Winter Storm Uri as
13 Staff was of the understanding that these deferred taxes were included within the separate
14 ratemaking mechanisms for these specific items. After further review, Staff has verified that
15 the deferred taxes associated with the commodity fuel and deferral of costs associated with
16 Winter Storm Uri were not included within the Purchased Gas Adjustment/Actual Cost
17 Adjustment (PGA/ACA) or within the deferral for Winter Storm Uri. As the deferred tax
18 impacts were not included in rates through these mechanisms, they need to be included in the
19 cost of service.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes, it does.

² Federal Energy Regulatory Commission (FERC).

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 Gas Service in the)
Missouri Service Areas of the Company)

Case No. GR-2024-0106

AFFIDAVIT OF LISA M. FERGUSON

STATE OF MISSOURI)
)
CITY OF ST LOUIS) ss.

COMES NOW LISA M. FERGUSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Lisa M. Ferguson*; and that the same is true and correct according to her best knowledge and belief.

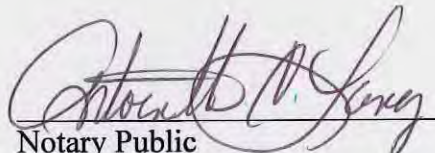
Further the Affiant sayeth not.



LISA M. FERGUSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 20th day of August 2024.



Notary Public

ANTOINETTE G. LANG
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: April 04, 2028
Commission Number: 16787761