

**Exhibit No.:**  
**Issue(s):**  
**Witness/Type of Exhibit:**  
**Sponsoring Party:**  
**Case No.:**

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Rate Case Expense  
Payne/Rebuttal  
Public Counsel  
GR-2024-0106

**REBUTTAL 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

August 22, 2024

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**REBUTTAL 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. Manzell Payne, Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or “Public  
3 Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

4 **Q. Are you the same Manzell Payne who filed direct testimony for the Office of the Public  
5 Counsel in this case?**

6 A. Yes.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to respond to direct testimony of Liberty Utilities  
9 (Midstates Natural Gas) Corp. d/b/a Liberty<sup>1</sup> witness, Charlotte T. Emery, and Staff witness,  
10 Jane Dhority, on rate case expense.

11 **RATE CASE EXPENSE**

12 **Q. What is Staff’s recommendation for Rate Case Expense in this case?**

13 A. Staff is recommending a normalized level of rate case expense based on the rate case expense  
14 incurred in this case by Liberty Midstates, subject to a 50/50 sharing. The portion of the rate  
15 case expense included by Staff is to be normalized over a three-year period. Staff recommends  
16 the full cost of the depreciation study to be amortized over five years.<sup>2</sup> Additionally, Staff will  
17 make an adjustment to include the full cost of customer notices in this case and amortize those  
18 costs over three years.<sup>3</sup>

19 **Q. Do you agree with Staff’s treatment of rate case expense for this case?**

20 A. I agree that the rate case expenses of this case should be normalized and a 50/50 sharing  
21 mechanism should be applied to rate case expenses other than the depreciation study and

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<sup>1</sup> Heretofore “Company” or “Liberty Midstates.”

<sup>2</sup> Jane Dhority, Direct Testimony, Page 12, Lines 13-18.

<sup>3</sup> Jane Dhority, Direct Testimony, Page 15, Lines 6-8.

1 customer notices. In this case, the depreciation study and customer notices are examples of  
2 rate case expenses that are not subjected to the 50/50 sharing. I also agree that the depreciation  
3 study be amortized over five years, as the commission requires a depreciation study be  
4 submitted every five years. However, I do not agree with Staff's recommended 3-year  
5 normalization for rate case expense. In my direct testimony, I recommended that reasonable  
6 and prudent rate case expense be normalized over four years, as the Company is required to  
7 file a general rate case within three years due to the ISRS filing requirements.<sup>4</sup>

8 **Q. Is there any reason that using normalized three-year period for this case would be**  
9 **inappropriate?**

10 A. Yes. Staff has used a three-year normalization for rate case expense in the past. However, the  
11 next rate case, filed in three years, would presumably not be finalized until the following year,  
12 making the reasonable normalized number of years four. In addition, the Company's last rate  
13 case was six years ago. Therefore, without the ISRS filing, the Company has shown that they  
14 are able to refrain from filing a rate case within three years and can go as long as six years.

15 **Q. Has Staff made any disallowances other than the 50/50 sharing mechanism, in their**  
16 **calculation of rate case expense?**

17 A. Yes. In its direct filing, Staff made disallowances to rate case expense for allocation errors by  
18 Liberty Midstates and the inclusion of costs for testimony for Liberty Midstates Illinois.<sup>5</sup>

19 **Q. Do you agree with Staff's disallowances?**

20 A. Yes. Missouri customers of Liberty Midstates should not have to pay the Company for rate  
21 case expenses of other states as they do no benefit Missouri customers in any way.

22 **Q. What is Liberty Midstates current estimated rate case expense for this case?**

23 A. As of the direct filing, Liberty Midstates' estimates that they will spend approximately  
24 \$688,524 for rate case expense. The Company anticipates the next rate case will be filed no

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<sup>4</sup> 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."

<sup>5</sup> Staff witness, Jane Dhority, workpaper titled "CONFIDENTIAL Rate Case Expense GR-2024-0106 JD" Sheet titled "DR 125"

1           sooner than 3 years from now. The Company recommends that a rate case expense of  
2           \$688,524 be amortized over three years, which is an adjustment to operating expense of  
3           \$229,508. The Company is recommending that the actual rate case expense incurred through  
4           the reply briefs in the case also be allowed for in the Commission’s final order.

5   **Q.    Do you disagree with Liberty Midstates’ treatment of rate case expense for this case?**

6   A.    Yes. Although the Company is recommending that the Commission’s final order be the actual  
7           rate case expense incurred in this case, the Company does not employ the 50/50 sharing  
8           mechanism. Further, the Company only amortizes rate case expense over three years. I do not  
9           agree with the Company’s position since they do not employ the 50/50 sharing and the number  
10          of years used for their amortization period. The Company should have used a normalized  
11          period and that period should have been four years, in line with the ISRS filing requirements.

12 **Q.    What is the reason to normalize rate case expense instead of amortizing?**

13 A.    Staff witness, Jane Dhority, explains the reason for normalizing rate case expense as opposed  
14          to amortizing the expense in her direct testimony:

15               Staff divided rate case expense over the period of time it estimates will pass before the utility’s  
16               next general rate case and included an annual amount in its revenue requirement calculation.  
17               Typically, this cost is not “amortized” for ratemaking purposes, and the utility’s recovery of  
18               this expense in rates is not tracked against its actual rate case expense for consideration for  
19               over or under recovery. Staff recommends this cost be “normalized” by including an annual  
20               level in the cost of service.<sup>6</sup>

21 **Q.    Has your recommendation changed since your direct testimony?**

22 A.    No. My four recommendations to the Commission regarding Liberty Midstates’ rate case  
23          expense in this case are as follows:

24               1. Liberty Midstates’ rate case expense should follow Commission precedent and the  
25               Company should follow the 50/50 rate case sharing.

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<sup>6</sup> Jane Dhority, Direct Testimony, Page 14, Lines 19-23 and Page 15, Line 1.

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

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

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

9           In addition to these recommendations, I endorse Staff's disallowances of expenses related for  
10          allocation errors by Liberty Midstates and the inclusion of rate case costs for testimony for  
11          Liberty Midstates Illinois.

12       **Q. Does this conclude your rebuttal testimony?**

13       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:

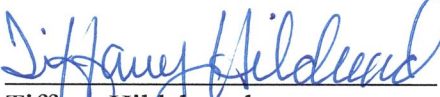
1. My name is Manzell Payne. I am a Utility Regulatory Auditor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best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

  
\_\_\_\_\_  
Manzell Payne  
Utility Regulatory Auditor

Subscribed and sworn to me this 21<sup>st</sup> day of August 2024.

TIFFANY HILDEBRAND  
NOTARY PUBLIC - NOTARY SEAL  
STATE OF MISSOURI  
MY COMMISSION EXPIRES AUGUST 8, 2027  
COLE COUNTY  
COMMISSION #15637121

My Commission expires August 8, 2027.

  
\_\_\_\_\_  
Tiffany Hildebrand  
Notary Public