Exhibit No.: ________________
Issue(s): Plant-In Service/Accumulated Depreciation Reserve/Depreciation Reserve Reallocation
Witness/Type of Exhibit: Robinett/Rebuttal
Sponsoring Party: Public Counsel
Case No.: GR-2024-0106

REBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

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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LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP. D/B/A LIBERTY

CASE No. GR-2024-0106

Q. What is your name and what is your business address?

A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same John A. Robinett who filed direct testimony on behalf of the Missouri Office of the Public Counsel ("OPC") in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. In this testimony, I will address concerns that I have with Staff's accounting schedules related to plant-in-service and the accumulated depreciation reserves. Additionally, I will discuss my concerns related to Liberty Midstates' reserve reallocation process.

Negative Original Cost

Q. What concerns do you have related to plant-in-service Schedule 3 of the Staff direct accounting schedules?

A. After Staff made adjustments to plant-in-service, there are four accounts/sub accounts with negative plant-in-service in totality for the account. Attached as schedule JAR-R-1 is the Schedule 3 and 4 of Staff's direct accounting schedules.

Q. What does negative plant-in-service for an account indicate?

A. Negative plant-in-service in totality for an account indicates improper retirements or transfers have occurred because the removed original value of plant assets exceeds the original cost booked in the accounts causing the plant-in-service value in the account to be negative.

Negative Plant-In-Service Adjustments

Q. Do you have concerns related to plant-in-service adjustments in the Staff accounting schedule?

A. Yes. Twenty-six (26) accounts have negative adjustments to plant, and this does not make sense. Liberty Midstates' 2018 case, GR-2018-0013, was the last time that the Company had a rate case. For this to be true all 26 accounts would have seen more plant retired or transferred out than added since the last case, unless there is something else causing these negative plant adjustments.

Q. Why is this a concern?

A. Logically, it does not make sense to have an account be in the negative since things usually cost more in the present day than the items replaced by the new investment. This utility has not had a rate case since 2018, and the likelihood of this many accounts having negative adjustments is extremely low. One might expect to see an account have negative adjustments that could be tied to a large scale replacement program where the Company completely swaps out types of meters, but that is not present here, to my knowledge.

Account 376.1 and Account 376.2 Concerns

Q. Are there any additional accounts that raise alarm?

A. Yes. The two accounts where Staff's adjustments are particularly concerning are account 376.1 T&D Mains-STL and account 376.2 T&D Mains-PLST.

Q. How do you interpret what these account names mean?

A. I think 376.1 T&D Mains-STL are labeled as steel transmission and distribution mains. I think 376.2 T&D Mains-PLST are labeled as plastic transmission and distribution mains. My assumptions come from the name of account 367 in transmission plant that is label T&D-

Mains-STL-PLST-CI-Mixed, which appears to be an account with mixed materials for transmission mains. Where I believe STL is steel, PLST is plastic, and CI is cast iron based on my interpretation of the shorthand abbreviation for material type. Both accounts fall under the heading of distribution plant.

Q. What are your concerns related to accounts 376.1 T&D Mains-STL and account 376.2 T&D Mains-PLST?

A. Related to account 376.1 T&D Mains-STL, Staff removed more than the original cost from the plant-in-service accounts. This removal could represent a retirement since it also correlates to Staff zeroing out the reserve account tied to this plant; however, it is not a dollar-for-dollar removal in the accumulated depreciation reserves. Staff's adjustment to plant is approximately $21.3 million removed from plant-in-service while just approximately $9.3 million from accumulated depreciation reserves.

If this removal was a retirement, the same value would be retired from both plant-in-service and the accumulated depreciation reserves. The accumulated depreciation reserves should have gone negative, as the account has not fully accrued, and original cost exceeds the accumulated depreciation reserves.

This adjustment could be a transfer/unitization in which one would not remove total original cost from accumulated reserves. Instead, one would transfer the original cost of the plant and the associated accumulated reserves that have been collected for the assets that were transferred or reclassified as part of the unitization process into the appropriate account.

Where account 376.2 T&D Mains-PLST comes into play is that it sees an increase in plant-in-service that exceeds the 376.1 decline, which could be a unitization or reclassification of plant investment. However, Liberty Midstates lacking any steel distributions mains does not match its 2023 report to the Pipeline and Hazardous Materials Safety Administration ("PHMSA"). That report indicates that Liberty Midstates has 9.852 miles of cathodic protected bare steel and 1,329.423 miles of cathodic protected coated steel. The accounting schedules seem to indicate a complete retirement of steel mains, but the data contained in the 2023 PHMSA report indicates approximately that two thirds of Liberty Midstates' mileage of pipe is steel compared to one third plastic. Attached as Schedule JAR-R-2 is the 2023 PHMSA annual gas distribution pipeline miles and facilities report.

Q. What may be causing the issues in general plant accounts?

A. I do not have enough information determine the cause, based on Staff's testimony. However, general plant adjustments could be related to the Liberty Midstates corporate allocations being backed out of general plant and then transferring them to corporate allocated general plant.

Accumulated Depreciation Reserves

Q. Do you have concerns about adjustments related to the accumulated depreciation reserves?

A. Yes. Staff accounting schedule 6 shows multiple accounts where accumulated depreciation reserves are being zeroed out.

Q. Have you asked Staff or the Company about these account adjustments?

A. I have discussed some of my concerns with Staff at the technical conference.

Q. Does Staff's testimony explain why these adjustments are occurring for each of these specific accounts?

A. No. As an example, Schedule 7 of the Staff direct accounting schedules includes an adjustment described as: "To include accumulated reserve through December 31, 2023." This description does not explain why Staff is zeroing out the accumulated depreciation reserves.

The only explanation I have been able to come up with assumes that Liberty Midstates' books and records show no accumulated reserves for accounts that still have positive plant-in-service totals at December 31, 2023. Four of the zeroed-out reserve accounts tie to the plant accounts where the plant-in-service was negative. Attached as Schedule JAR-R-1 is the Staff Direct accounting schedule 6, the accumulated depreciation reserves, and Staff Direct accounting schedule 7, the adjustments to accumulated depreciation reserves.

Reserve Reallocation

Q. Do you agree with Mr. Watson's proposed reserve reallocation from his direct testimony?

A. No. I see no need for the reallocation of deprecation reserve when Mr. Watson recommends remaining life depreciation rates.

Q. Why is it not necessary to reallocate depreciation reserves?

A. The Company's recommended use of remaining life rates should correct any perceived imbalances by adjusting the depreciation rate to collect all of plant in service plus cost of removal less salvage over the expected remaining life of the assets in the account. So, theoretically, if an account was over-accrued, the utility would collect less for that asset over the remaining life than with other methods. However, if an account was under-accrued, the remaining life rates would increase the depreciation expense for an account over the remaining life to catch the account back up.

Q. Are there any other issues with Mr. Watson's reserve reallocation?

A. Yes. The reserve reallocation would not have taken into account any collected depreciation expense, received salvage, or cost of removal since December 31, 2021.

There is an error in the attachment to Mr. Watson's direct testimony, Schedule DAW-2, Appendix E, in the column titled Total Reallocated Reserve for Transmission assets. The number in this column, $15,885,554.72, is more than double the $7,167,946.50 Per Book Total reserve listed in the column before it. Attached as Schedule JAR-R-3 is Mr. Watson's Schedule DAW-2, Appendix E. It does not make sense for the total reallocated reserve related to transmission to be double the size of the total reserve for transmission assets. To tie correctly, these items should be the same value.

An additional concern I have is the large reallocation regarding cost of removal reserve values from account 380 Services, while recommending the highest increase to cost of removal change of an additional 25%. The increase in cost of removal means that the utility needs to collect more for each asset in the account to dispose of it. In this instance Mr. Watson is recommending increasing cost of removal from 50% to 75% so customers are being asked to pay seventy-five cents per every dollar in investment for its disposal at a later date. The only reason this is not a larger issue is that Mr. Watson has coupled the large increase in cost of removal with a 12-year extension of life of the customer service line assets.

Q. Are there any other issues with plant-in-service and accumulated depreciation reserves?

A. As part of the customer first initiative, there has been a conversion of data and a change in the plant accounting software, which was described in Liberty Midstates' response to Staff data request numbers 0203, 0204.1, and 0247. Liberty Midstates' response to Staff data request 0167.1 indicates the conversion brought over beginning balances for depreciation groups as December 2021. Attached as Schedule JAR-R-4 are the previously discussed data requests. The data conversion related to plant-in-service and accumulated reserves is a potential cause for the irregularities I have described.

Q. What recommendations do you have regarding your concerns?

A. Mr. Watson's use of remaining life depreciation should take care of the perceived imbalances in accumulated depreciation reserves without the need to reallocate depreciation reserves. I would support Staff's recommendation to continue utilization of the depreciation rates ordered in Case Number GR-2018-0013. I recommend that the Commission deny Mr. Watson's recommendation to reallocate reserves.

Q. Does this conclude your rebuttal testimony?

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 Gas Service in the Missouri Service Areas of the Company	)))))	Case No. GR-2024-0106

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist 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.

John A. Robinett
John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 21st day of August 2024.

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

Tiffany Hildebrand
Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2027.