Exhibit No.: _____
Issues: Revenue Requirement, Rate Base, Rate Base Adjustments, Income Statement and Income Statement Adjustments
Witness: Charlotte T. Emery
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty
Case No.: GR-2024-0106
Date Testimony Prepared: August 2024

Before the Public Service Commission
of the State of Missouri

Rebuttal Testimony

of

Charlotte T. Emery

on behalf of

Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty

August 22, 2024

Liberty™

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FOR THE REBUTTAL TESTIMONY OF CHARLOTTE T. EMERY
LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP. D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Charlotte T. Emery. My business address is 602 South Joplin Avenue, Joplin, MO 64801.

Q. Are you the same Charlotte T. Emery who provided direct testimony in this matter on behalf of Liberty Utilities (Midstates Natural Gas) Corp. ("Midstates Gas", "Liberty" or the "Company")?

A. Yes.

II. PURPOSE

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. I will address the Company's various concerns with the direct testimony filed by the Staff of the Missouri Public Service Commission ("Staff") and the Office of the Public Counsel ("OPC") as it relates to the Company's proposed revenue requirement deficiency.

III. LIBERTY'S REVISED REBUTTAL REVENUE REQUIREMENT

Q. What revised revenue requirement does the Company present via its rebuttal testimony?

A. The Company proposes an overall revenue requirement of $44,951,672, which is a $13,974,384 increase in the annual revenue requirement compared to its currently effective general base rates. Please refer to my **Rebuttal Schedule CTE-1** for a summary of the Company's Rebuttal Revenue Requirement calculation.

Q. How did the Company arrive at its new rebuttal position?

A. The Company's position as presented in my direct testimony has been refreshed to incorporate actual financial data through the Update Period (12 months ending December 31, 2023) as well as certain adjustments proposed by Staff with which the Company agrees. These adjustments will be addressed in further detail later in my testimony. Although some of the numbers have now changed as a result of updating the information through December 31, 2023, or refining calculations, the methodologies remain the same as described in my direct testimony, with the exception of the Company's weather normalization adjustment.

Q. Did the Company revise its weather normalization adjustment in its rebuttal revenue requirement calculation?

A. Yes. The Company did incorporate a revision to its revenue requirement calculation for weather normalization. This adjustment includes the actual billing information for the Update Period of December 2023. For further details on the weather normalization adjustment, please refer to the rebuttal testimony of Company witness Eric Fox.

Q. What continues to be the primary differences between Staff and the Company's rebuttal position?

A. The difference between the Company's rebuttal position and Staff' direct testimony position is primarily attributable to differences in the amount of expenses included in the respective costs of service. Figure 1 below provides a high-level view of these differences.

Figure – 1

Expense Category	Staff Direct Testimony GR-2024-0106	Company Rebuttal Testimony GR-2024-0106	Difference Between Company Rebuttal and Staff Direct
Total Gas Supply Expenses	-	-	
Total Natural Gas Storage Expense	-	-	
Total Transmission Expenses	-	-	
Total Production Expenses	-	-	
Total Maintenance Expense	-	54,424	(54,424)
Total Distribution Expenses	3,304,004	4,600,812	(1,296,808)
Total Customer Accounts Expense	2,178,329	2,605,404	(427,075)
Total Customer Service & Info. Exp	140,824	140,824	-
Total Sales Expenses	7,114	9,281	(2,167)
Total Admin. & General Expenses	3,431,159	6,852,320	(3,421,161)
Total Depreciation Expense	9,475,107	8,566,943	908,164
Total Amortization Expense	70,913	653,466	(582,553)
Total Other Operating Expenses	2,333,557	3,674,668	(1,341,111)
Interest On Customer Deposits	-	188,441	(188,441)
Total Operating Expense	20,941,007	27,346,583	(6,405,576)

Q. Do you believe the amount of expenses Staff is currently including in their cost of service is reasonable and appropriate?

A. No. The amount of expenses currently included in Staff's cost of service calculation does not properly reflect a reasonable amount of expenses to provide adequate service to our Missouri customers. The primary expense categories driving this understatement are in the areas of Distribution, Administration and General, Amortization, and Other Operating Expenses.

Q. Are there specific adjustment topics being proposed by Staff that is leading to such significant differences in expenses?

A. Yes. In review of Staff's proposed balances and respective adjustments, it appears a significant portion of the differences between the Company's balances and Staff is related to payroll, benefits, Pension and OPEB expenses. It should be noted these costs are recorded in multiple FERC expense categories within an income statement, but a large portion of these costs are recorded in the Administration and General Expense FERC accounts.

Q. Have you conducted a comparison between the amount Staff is proposing for Administrative and General Expenses in this case and the amount they proposed in their True-Up position in the Company's last rate case?

A. Yes, this comparison indicates that Staff is proposing a decrease in Administrative and General Expenses in the amount of $3,279,828 or approximately a 51% decrease in costs.

Q. Is the balance of Staff's proposed Administrative and General Expenses reasonable?

A. Absolutely not. The appropriate amount of Administrative and General expenses to include in the Company's Cost of Service is $6,852,320. This amount is consistent with the amount included in Staff's 2018 True-Up calculations and also is consistent with the amount incurred by the Company to serve its customers every year since 2018. Please see **Figure 2** below which is sourced from the Company's annual reports submitted to the Commission. Later in my testimony, I will provide further discussion on the specific issues around Staff's approach to produce their proposed balances.

Figure – 2

Expense Category	2018 (1)	2019 (2)	2020 (3)	2021 (4)	2022 (5)	2023 (6)
Total Admin. & General Expenses	$ 7,050,095	$ 6,155,484	$ 7,172,669	$ 6,231,182	$ 6,555,900	$6,780,520

(1) 2018 MO Gas Annual Report Form Page 325 FERC FORM No. 2-A, line 270
(2) 2019 MO Gas Annual Report Form Page 325 FERC FORM No. 2-A, line 270
(3) Revised 2020 MO Gas Annual Report Form Page 325 FERC FORM No. 2-A, line 270
(4) Revised 2021 MO Gas Annual Report Form Page 325 FERC FORM No. 2-A, line 270
(5) 2022 MO Gas Annual Report Form Page 325 FERC FORM No. 2-A, line 270
(6) 2023 MO Gas Annual Report Form Page 325 FERC FORM No. 2-A, line 270

IV. COMPONENTS OF THE REVENUE REQUIREMENT

a. RATE BASE

Q. Are there rate base adjustments/balances which both Staff and the Company are in agreement?

A. Yes, **Table CTE-1** below summarizes the rate base adjustments/balances that the Company and Staff agree.

Table CTE– 1

Witness	Adj. No.	Adjustment Description
Charlotte Emery	RB ADJ 1	Plant Additions and Accumulated Depreciation
Charlotte Emery	RB ADJ 3	Shared Services Allocated PIS
Charlotte Emery	RB ADJ 7	Underground Storage

Q. Are there rate base adjustments/balances proposed by Staff in their direct testimony that resulted in the Company revising its proposed balance?

A. Yes, upon review of Staff witness Dhority's calculations related to Energy Efficiency regulatory account balances, the Company agrees to accept Staff's balance for these regulatory asset accounts. The Company has revised its RB ADJ 8 Adjustment accordingly to reflect Energy Efficiency regulatory account balances to the amount of $393,411. In addition to updating the Company's regulatory asset balances, the Company has also revised its associated amortization expense to $65,568 annually.

Q. Please describe the specific rate base adjustments/balances proposed by Staff that will be addressed by your rebuttal testimony.

A. **<u>Table CTE-2</u>** below provides an outline of the various rate base topics proposed by Staff that I address in my rebuttal testimony. However, to the extent that I do not address a specific issue, it should not be considered acceptance of the position of the other parties. Instead, for any adjustment/balance on which the Company is silent in rebuttal testimony, the Company utilized the balance filed in its Updated Revenue Requirement calculation when calculating the Company's proposed rebuttal revenue requirement amount.

Table CTE-2

Witness	Adj. No	Adjustment Description
Lisa Ferguson	STAFF RB 2	Remove Depreciation Reserve Associated with Capitalized Transition Costs
Jane Dhority	STAFF RB 13	Pension and OPEB Asset
Paul Amenthor	STAFF RB 6	Cash Working Capital
Lisa Ferguson	N/A	Property Tax Tracker

Q. Does the Company agree with Staff's removal of capitalized transition costs to comply with the Stipulation and Agreement in Case Nos. GM-2012-0037, GR-2014-0152 and GR-2018-0013?

A. No, Midstates Gas utilizes a Commission Order as authorization to remove balances from its books and records and no such order has been issued to date. Therefore, it is not appropriate to exclude these costs from the Company's cost of service calculation until an Order from the Commission authorizes the costs to be removed.

Q. Does the Company agree with Staff's proposed adjustment to Pension and OPEB?

A. No, the Company position regarding Staffs Pension and OPEB adjustment is further discussed in rebuttal testimony of Company witness James Fallert.

Q. Does the Company agree with Staff's proposed adjustment to cash working capital?

A. No, the Company position regarding Staff's cash working capital is further discussed in rebuttal testimony of Company witness Timothy S. Lyons.

Q. Please summarize Staff's position on the new property tax tracker statute.

A. As I explained in my direct testimony, Senate Bill 745, which was codified as Section 393.400.2, RSMo., became effective August 28, 2022. Staff's position appears to be that the Company should not have begun deferring/tracking under the new mechanism on the date the statute became effective, and instead, should wait until new general rates become effective in this case going forward. *See* Staff witness Lisa Ferguson's direct testimony, at p. 12, l. 20 – p. 13, l. 2.

Q. Do you agree with Staff's position?

A. Absolutely not. The tracking requirement became effective August 28, 2022. Section 393.400.2 states (emphasis added):

[G]as corporations ... ***shall defer*** to a regulatory asset or liability account any difference in state or local property tax expenses actually incurred, and those on which the revenue requirement used to set rates in the corporation's most recently completed general rate proceeding was based. The regulatory asset or liability account ***balances shall be included*** in the revenue requirement used to set rates through an amortization over a reasonable period of time in such corporation's subsequent general rate proceedings. The commission shall also adjust the rate base used to establish the revenue requirement of such corporation to reflect the unamortized regulatory asset or liability account balances in such general rate proceedings. Such expenditures deferred under the provisions of this section are subject to commission prudence review in the next general rate proceeding after deferral.

While I am not an attorney, the law plainly requires deferral (using “shall defer” language) of any difference in state or local property tax expenses a gas corporation, like Liberty, incurs and the expenses on which Liberty’s most recently completed general rate case was based. If the Missouri Legislature intended for the deferral to begin only after a future general rate proceeding, then the Legislature would have said so. It did not.

The law also plainly directs for the resulting regulatory asset or liability account balances to be included in the revenue requirement in the utility’s subsequent general rate case. Since this is the Company’s first general rate case since the effective date of the statute, this is the first time the regulatory account balance must be reflected in the Company’s revenue requirement.

Q. How did the Company calculate the deferred or tracked amount under the statute?

A. I explained in my direct testimony how the Property Tax Regulatory Asset balance of $1,033,418 was calculated using Staff’s EMS true-up calculation for Property Taxes from the Company’s last general rate proceeding since that proceeding was resolved via settlement. Emery direct testimony, p. 13. Staff’s direct testimony did not take issue with that calculation.

Q. Have other public utilities been allowed to begin employing the statutory mechanism when the statute became effective instead of being required to wait until after a subsequent general rate proceeding?

A. Yes, the largest gas, water and electric public utilities in the state have been allowed to employ the statutory mechanism around the time the statute became effective instead of being required to wait until after a subsequent general rate proceeding.

- In Case No. GR-2022-0179, via approval of a Full Unanimous Stipulation and Agreement with Staff and other parties, the Commission authorized Spire Missouri to reflect the property tax deferral from January 1, 2022 through the effective date of rates in the case, which was over $22 million for Spire East and approximately $18.9 million for Spire West. Case No. GR-2022-0179, filed November 4, 2022, pp. 2 – 3.
- In Case No. WR-2022-0303, via approval of a Stipulation and Agreement with Staff and other parties, the Commission authorized Missouri American Water, who did not have a stated property tax amount ordered by the Commission in its immediately preceding general rate case, to reflect the property tax deferral from September 1, 2022 (which was the first day of the month following the effective date of the statute). Case No. WR-2022-0303, Stipulation and Agreement, filed March 3, 2023, p. 3. Staff's agreement in Case No. WR-2022-0303 is nearly identical with the Company's position to track and record property tax deferrals beginning the effective date of the statute and demonstrates that there is no need for the Commission to have explicitly set a property tax base in its last rate case order for the Company.

- Identically to resolving the issue in Case No. WR-2022-0303, in Case No. ER-2022-0337, via approval of a Stipulation and Agreement with Staff and other parties, the Commission authorized Ameren Missouri, who also did not have a stated property tax amount ordered by the Commission in its immediately preceding general rate case, to reflect the property tax deferral from September 1, 2022. Case No. ER-2022-0337, filed April 7, 2023, Exhibit C.

Q. Should Liberty be treated differently than the largest gas, water and electric public utilities, and prevented from getting the benefit of the statutory mechanism under Section 393.400.2, RSMo. until after its next general rate case?

A. No. And there is nothing in the statute that would support any disparate treatment. The Company's calculation of the Property Tax Regulatory Asset balance in this case is reasonable and should be approved by the Commission for amortization over a three-year period.

b. INCOME STATEMENT

Q. Are there income statement adjustments proposed by Staff with which the Company agrees?

A. Yes, **Table CTE-3** below summarizes the income statement adjustments/balances that the Company does not oppose and are reflected in the Company's rebuttal revenue requirement calculation.

Table CTE-3

Witness	Adj. No.	Adjustment Description
Paul Amenthor	STAFF REV 3	Remove ISRS Revenue
Paul Amenthor	STAFF REV 4	WNAR Revenue
Blair Hardin	STAFF EXP 10	Annualize PSC Assessment
Lisa Ferguson	STAFF EXP 14	Annualize Customer First Operations & Maintenance Expense

Benjamin Burton	STAFF EXP 17	Remove Institutional Advertising
Benjamin Burton	STAFF EXP 22	Remove Rebranding Costs
Benjamin Burton	STAFF EXP 28	Remove Dues and Donations
Jane Dhority	STAFF EXP 32	Include Annualized Energy Efficiency Amortization Expense

Q. Please specify which income statement adjustments proposed by Staff with which the Company does not agree and you describe in more detail in rebuttal testimony.

A. **Table CTE-4** below provides an overview of the income statement topics I will address in my rebuttal testimony. To the extent I do not directly address a specific issue, this should not be considered acceptance of the other stakeholder positions. Rather, the balance/position of the Company Updated Revenue Requirement calculation has been utilized when calculating the Company's proposed annual cost of service.

Table CTE-4

Witness	Adj. No.	Adjustment Description
Paul Amenthor	STAFF REV 2	Remove Unbilled Revenue
J. Luebbert	STAFF REV 8	Adjust for Special Contract
Jane Dhority	STAFF EXP 3	Remove Incentive Compensation Expense
Blair Hardin	STAFF EXP 6	Annualize Insurance Expense
Marina Stever	STAFF REV 6	Adjust Revenue for Weather, days, Rate Switchers
Blair Hardin	STAFF EXP 7	Remove Miscellaneous Exp
Benjamin Burton	STAFF EXP 8	Annualize Payroll
Jane Dhority	STAFF EXP 12	Update Property Tax Expense
Blair Hardin	STAFF EXP 13	Interest on Customer Deposits
Benjamin Burton	STAFF EXP 16	Payroll Tax Capitalization Adjustment
Jane Dhority	STAFF EXP 19	Employee Benefits Capitalization Adjustment
Lisa Ferguson	STAFF EXP 20	Remove Allocated Test Year Costs
Blair Hardin	STAFF EXP 24	Annualize Workman's Compensation Expense
Jane Dhority	STAFF EXP 26	Annualize Employee Benefits
Jane Dhority	STAFF EXP 27	Include Annualize level of 401(K) Match Expense
Benjamin Burton	STAFF EXP 33	Annualize Payroll Taxes

Q. Are there other balances the Company does not agree with that have been used within Staff's Cost of Service calculation?

A. Yes. The Company does not agree with the balances being proposed for amortization, depreciation and income tax expenses. Staff's respective balances are ultimately determined by the position Staff is proposing through their various adjustments. The Company is hopeful many of the differences between its balances and Staff's will align more closely after rebuttal positions are filed, however the Company intends to bring forth any additional concerns within its surrebuttal testimony.

Q. Does the Company agree with Staff witness Amenthor's proposed adjustment to remove Unbilled Revenue?

A. Liberty accepts the methodology of this adjustment; however, the sign was inverted incorrectly. Staff's initial adjustment of \$ (198,990) as reflected in their EMS run should be corrected to a positive adjustment of \$198,990.

Q. Does Liberty agree with Staff witness Luebbert's adjustment to revenue associated with special contracts?

A. No. Company witness Michael D. Beatty further addresses this issue in his rebuttal testimony.

Q. Does the Company agree with Staffs witness Dhority's proposed adjustment to remove Incentive Compensation Expense?

A. No, Company witness Jill Schwartz rebuts this issue in her rebuttal testimony.

Q. Does Liberty agree with Staff witness Hardin's adjustment to Insurance Expense?

A. Liberty is submitting a revision to adjustment EXP ADJ 6 which indicates a reduction in Insurance Premiums in the amount of \$(74,227). This revision was made to match the information provided in response to the MPSC Data Request 100. After incorporating this change, the Company and Staff insurance costs should match. However, the Company will review Staff's rebuttal balance, and if additional concerns remain, the Company will discuss in surrebuttal testimony.

Q. Does Liberty agree with Staff's proposal to adjust revenue for weather, days, and rate switchers?

A. No, Company witness Eric Fox further addresses these issues in his rebuttal testimony.

Q. Does the Company agree with Staff witness Hardin's proposal to remove Miscellaneous Expense?

A. No. Upon review it appears there is overlap between Staff Hardin's proposal to remove miscellaneous expense and Staff Ferguson's proposal to remove certain allocated test year costs. The Company has revised its EXP ADJ 7 adjustment to reflect an adjustment in the appropriate amount of $3,782 which is to remove non-recoverable expenses. Further detail regarding additional differences between Staff and the Company's calculation of Non-Recoverable Expense can be found in the rebuttal testimony of Company witness Jill Schwartz.

Q. Does Liberty agree with Staff's adjustments to payroll related accounts?

A. No. Liberty's rebuttal revenue requirement calculation, specifically adjustment EXP ADJ 8, reasonably represents the Company's payroll balances. Staff's payroll annualization, payroll capitalization, and associated payroll tax adjustments utilizes an approach that produces an inadequate amount of payroll and other costs. Within their approach Staff disregards the amount of payroll and associated costs included in its test year and attempts to recalculate an annual amount of payroll and associated costs, in doing so Staff has grossly understated payroll and associated expenses. Further, Staff appears to apply capital rates as well as estimated allocations of time to employees estimated wages. Staff then allocates these calculated levels of expense across the distribution of labor dollars incurred in the test year. In the Company's review of these calculations, issues were identified as it relates to the amount of time applied to Midstates Gas direct employees which is incorrect. The Company has also worked with Staff to refine some calculations for Central Region employees' time as well, but the methodology of Staff's adjustment continues to cause issues. However, the Company has adjusted its Payroll Capitalization methodology to more closely align with Staff.

Q. Does Liberty agree with Staff's adjustment to remove labor costs associated with government relations?

A. The Company agrees in part that the labor cost associated with government relations should be removed. Liberty has included in its rebuttal revenue requirement calculation a revision to its payroll adjustment which now removes the labor and benefits expenses associated with government relations (EXP ADJ 8 and EXP ADJ 9). The Company recommends the Commission adopt its revised adjusted payroll expense in the amount of $4,401,436 and $1,296,296 for Employee Benefit costs.

Q. Does Liberty agree with Staff's adjustment to remove labor costs associated with business development?

A. No. Business development increases Liberty's customer base, allowing costs to be spread over a larger number of customers and reducing rates. Business development provides a benefit to customers, such as exploration of sources of renewable natural gas. Liberty recommends that the Commission adopt the payroll expense from its rebuttal revenue requirement calculation, which includes business development labor cost.

Q. Does Liberty agree with Staff's adjustments to remove non-labor business development costs?

A. No. Staff witness Lisa Ferguson proposed an adjustment to reduce non-labor business development costs in the test year by $31,379. As I stated in relation to Staff's adjustment to remove business development labor cost, business development is a normal part of the Company's business which has a goal to increase customers, thereby spreading costs and reducing rates for all customers. Additionally, as of the end of the Company's Update Period Liberty's business development responsibilities included providing assistance to companies and organizations that are contemplating doing new business or expanding business in Missouri, which helped to foster Missouri economic development.

Q. Does Liberty otherwise agree with Staff's adjustments to labor costs?

A. No, except for agreeing to remove labor costs associated with government relations. The payroll adjustments in the direct testimony of Staff witness Burton does not appropriately allocate the costs of employee labor to Midstates Gas and underestimates the payroll expense as a result. The Company has provided additional information to Staff related to this issue in response to Staff Data Request 108.1. Liberty's revised payroll adjustment, EXP ADJ 8, contained within its rebuttal revenue requirement calculation reasonably represents the Company's labor costs.

Q. Does Liberty agree with Staff witness Dhority's calculation of the Company's Property Tax Expense?

A. No. Due to a significant amount of capital investment in the Update Period, the Company will undoubtedly experience an increase in Property Tax expense that can be estimated. The Company has revised its Property Tax Expense adjustment to reflect a reasonably expected level of expense based upon plant in service through the Update period, in the amount of $3,053,492. In addition, the Company and Staff have discussed its differences in proposed property tax expenses and as result of these discussions it was discovered that Staff inadvertently excluded some property tax costs from their calculation. The Company believes that the positions are more closely aligned but will further address any remaining issues, in its surrebuttal testimony.

Q. Does Liberty agree with Staff witness Hardin's update to Interest on Customer Deposits?

A. No, however Staff's workpapers for the adjustment are derived from the Company's response to Staff Data Request 86 which included incorrect data. The correct amount of Customer Deposit Interest expense is $188,441. The Company will supplement Staff DR 86 with the correct data. Staff should arrive at the same position as of the Company's Update Period December 31, 2023.

Q. Does Liberty agree with Staff's adjustment to capitalized employee benefit expense?

A. No. Liberty recommends using the capitalized employee benefit included within its rebuttal revenue requirement calculation, specifically adjustment EXP ADJ 9. In addition, there appears to be an error in Staff's calculation of its adjustment. The adjustment as calculated is based on the total Update Period expense, not the change in expense, which is more appropriate. Any adjustment should be based on the difference between the Test Year and Update Period expenses with a capitalization rate applied to that difference.

Q. Does the Company agree with Staff witness Ferguson's adjustment to remove certain allocated Test Year costs?

A. No, however the Company has revised its calculation to remove non-recoverable expenses, such as charitable contributions that were inadvertently excluded from the Company's adjustment in its direct filing. Further detail regarding remaining differences between Staff and Company can be found in the rebuttal testimony of Jill Schwartz.

Q. Does Liberty agree with Staff's adjustment to worker's compensation insurance expense?

A. Yes. The Company's previous adjustment was based on an incorrect allocation factor. However, further review of the respective worker's compensation invoices shows a different amount of worker's compensation insurance expense than was allocated to Midstates Gas. Liberty has corrected its EXP ADJ 6 for the portion of worker's compensation insurance cost that should have been allocated to Midstates Gas. The Company and Staff property insurance cost values should match in the amount of $341,030 following this revision.

Q. Does Liberty agree with Staff's adjustment to annualize employee benefit expense?

A. No Liberty notes there appears to be inaccuracies in both its own and Staff's adjustment to annualize employee benefit expenses. In Liberty's prior EXP ADJ 9, the test year balance was incorrect. The Update Period expenses also appear to be missing amounts from October through December 2023. Liberty's rebuttal revenue requirement calculation includes a correction to adjustment EXP ADJ 9.

Staff witness Jane Dhority proposed adjustments to annualize employee benefit expense. The Staff adjustment appears to have omitted some expenses in the Update Period ending December 2023. The missing expenses are from the general ledger for the months of October through December 2023. Specifically, omitted entries were for approximately $38 posted on December 8, 2023, and totaling $27,776 posted December 22, 2023. Based on Liberty's calculation, Liberty and Staff Update Period expenses for annualized employee benefits should agree after these corrections are implemented.

Q. Does Liberty agree with Staff's adjustment to annualize the 401(k) match?

A. No. Liberty recommends using the 401(k) match shown in its rebuttal revenue requirement calculation, specifically adjustment EXP ADJ 9. Staff witness Dhority proposed adjustments to the 401(k) match in direct testimony. However, Staff's adjustment appears to have omitted some expenses within the Update Period. The missing expenses relate to the months of October through December 2023. The omitted entries are in the amount of approximately $421 posted on October 13, 2023, and amounts totaling approximately $5,753 posted December 22, 2023. In addition, there appears to be an error in the Staff calculation of its adjustment. The adjustment as calculated is based on the Update Period expense, but it should be based on the difference between the Test Year and Update Period expenses.

c. NEW RETROACTIVE REGULATORY LIABILITY

Q. Staff witness Lisa Ferguson has created a regulatory liability account associated with a stub period from January 1, 2018, through June 30, 2018. Does the Company oppose such retroactive treatment?

A. Yes. Company witness Michael McCuen explains the Company's opposition to Staff's calculation of such stub period amount, which used a revenue requirement model to ascertain the amount by which customers were being "overcharged" for income taxes due to the reduced tax rate. Besides the retroactive ratemaking nature of such treatment, any "stub period" liability was known and measurable in the Company's last general rate case (Case No. GR-2018-0013) and should have been but was not included in the Commission-approved settlement therein.

Q. Wouldn't Staff have been aware of the potential stub period January 1, 2018, through June 30, 2018 issue in the Company's last general rate case?

A. Yes. On January 3, 2018, the Commission opened a working docket, Case No. AW-2018-0174, to assess the effects of the Tax Cuts and Jobs Act of 2017 ("TCJA") on Missouri Utilities. In Staff's Report filed February 13, 2018, Staff provided an estimate of the approximate annual Missouri jurisdictional change in cost of service for the Company based on the Company's responses to questions in that working docket, which included a stub period amount. *See* pages 8-9 of Staff's Report. Staff further noted that the Company had a pending general rate case (Case No. GR-2018-0013), and for Staff's proposal on how to proceed in consideration of the TCJA for the Company, recommended that it would "[h]andle in the rate case." *See* pages 16 & 18 of Staff's Report. In the Company's then-pending rate case, no stub period regulatory liability was set out in the Stipulation and Agreement approved by the Commission in case. Furthermore, no amortization period was set for the non-existing stub period regulatory liability.

Q. What would the impact be of requiring establishment of the $1.2 million stub period liability six years after conclusion of the Company's prior general rate case?

A. It would wrongly decrease the Company's annual revenue requirement amount, undermine the settlement reached among the parties in the Company's prior general rate case, and effectively result in retroactive ratemaking.

d. RETURN ON EQUITY

Q. Has the Company revised its proposed Return on Equity?

A. Yes. The rebuttal revenue requirement calculation includes a change in the Company's proposed Return on Equity ("ROE"). As described in Company witness John Cochrane's rebuttal testimony, the Company has revised its recommended ROE to 10.0%.

Q. Does this conclude your rebuttal testimony at this time?

A. Yes.

VERIFICATION

I, Charlotte T. Emery, under penalty of perjury, on this 22nd day of August, 2024, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Charlotte T. Emery