

Exhibit No.: _____
Issues: Pension, OPEB
Witness: James A. Fallert
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

James A. Fallert

on behalf of

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

August 22, 2024



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LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP. D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. GR-2024-0106

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1 I. **INTRODUCTION**

2 Q. **Please state your name and business address.**

3 A. My name is James A. Fallert. My business address is 3507 Burgundy Way Dr., St.
4 Louis, MO, 63129.

5 Q. **Are you the same James A. Fallert who provided direct testimony in this matter
6 on behalf of Liberty Utilities (Midstates Natural Gas) Corp. (“Liberty” or the
7 “Company”)?**

8 A. Yes.

9 Q. **What is the purpose of your rebuttal testimony in this proceeding before the
10 Missouri Public Service Commission (“Commission”)?**

11 A. I will be addressing certain Direct Testimony statements which were made by Staff
12 witness Jane Dhority regarding pension and other post-employment benefits (“OPEB”)
13 issues.

14 II. **EXPENSE ADJUSTMENTS**

15 Q. **Do you have any issues in regard to Staff’s calculation of expense for pension and
16 OPEBs?**

17 A. I am in agreement with Staff’s calculations with the exception of the manner in which
18 a portion of these costs were allocated to capital accounts.

19 Q. **What are the issues in regard to capitalization of pension and OPEB costs?**

20 A. There are three issues:

- 1 1. It appears that Staff’s adjustment inadvertently included the normalized
2 capitalization amount as an adjustment to the test year.
- 3 2. Staff’s adjustment capitalized all components of pension and OPEB cost.
4 GAAP specifies that only the Service Cost component should be capitalized.
- 5 3. Staff’s adjustment incorrectly used a different capitalization rate than that used
6 to normalize pension expense.

7 **Q. Do you have any additional comments regarding these items?**

8 A. Company representatives have had discussions with Staff regarding these items and are
9 working toward resolving these issues. While the Company is hopeful the parties will
10 be able to reach resolution on many of these issues, the Company continues to support
11 its position from direct testimony and will provide further discussion in surrebuttal
12 testimony on any remaining issues on which resolution is not reached.

13 **III. RATE BASE**

14 **Q. How is rate base determined for pensions and OPEBs?**

15 A. The calculation of rate base is described in the Stipulation and Agreement from the
16 Company’s previous rate case, Case No. GR-2018-0013. The last sentence of
17 paragraph 9.A. states:

18 “The difference between the amount of pension expense included in Liberty
19 Utilities’ rates after allocation to construction and the amount funded by
20 Liberty Utilities during the rate-effective period of stipulated rates from this
21 case shall be included in the Company’s rate base in future proceedings.”

22 There is similar language regarding OPEBs in paragraph 9.D. of the same Stipulation
23 and Agreement.

24 **Q. Please describe the calculations necessary to comply with the above.**

25 A. There are two calculations needed to accurately determine the appropriate rate base:

1 1. The tracker balances, which quantify the difference between the amount
2 included in rates after allocation to construction and the expense portion of Net
3 Periodic Benefit Cost.

4 2. The prepaid asset, which is the difference between the amount funded by
5 Liberty Utilities and the Net Periodic Benefit Cost.

6 When added together, these two components provide the total rate base as described in
7 the aforementioned paragraphs 9.A. and 9.D.

8 **Q. How did Staff determine rate base in their direct case?**

9 A. Staff's case included the first component listed above but omitted the second
10 component (the prepaid pension and OPEB assets). The Company has funded the
11 pension and OPEB trusts in amounts determined pursuant to paragraphs 9.B. and 9.E.
12 of the aforementioned Stipulation and Agreement. Omitting the impact of this funding
13 from rate base is improper, fails to recognize the Company's prepayment of pension
14 and OPEB assets, and is inconsistent with the treatment specified in paragraphs 9.A.
15 and 9.D. of the Stipulation and Agreement. Staff's testimony was silent regarding this
16 difference.

17 **Q. Do you have any additional comments?**

18 A. Company representatives have discussed this issue with Staff and, at this writing, Staff
19 is reviewing the rate base calculation. The Company hopes to resolve this issue but
20 mentions it here in order to preserve our position as set out in my direct testimony.

21 **IV. CONCLUSION**

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

23 A. Yes.

VERIFICATION

I, James A. Fallert, 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/ James A. Fallert