

*Exhibit No:*

*Issue:* Minimum Filing Requirements

*Witness:* William G. Stannard

*Type of Exhibit:* Direct Testimony

*Case No:* WR-2024-0104 and  
SR-2024-0105

*Date Testimony Prepared:* September 10, 2024

**DIRECT TESTIMONY ON RATE**

**DESIGN**

**OF**

**WILLIAM G. STANNARD**

**ON BEHALF OF**

**HOLIDAY INN CLUB VACATION, INC.**

**HOLIDAY INN CLUB VACATION, INC.**

CASE NO. WR-2024-0104

*September 10, 2024*

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

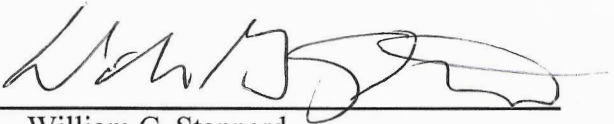
In the matter of Liberty Utilities (Missouri ) File No. WR-2018-0170  
Water) LLC's Application for Rate Increase. ) SR-2018-0171

**State of Missouri** )  
) **SS**  
**County of Jackson** )

**Affidavit of William Stauuard**

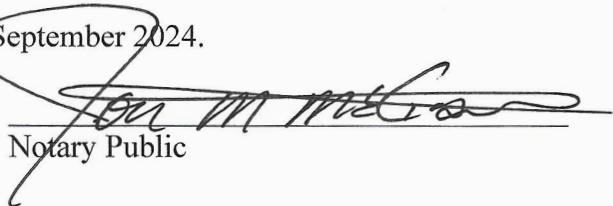
William G. Stannard, being first duly sworn, on his oath states:

1. My name is William Stannard. I am a consultant with Raftelis Financial Consultants, Inc., having its principal place of business at 215 West Pershing Road suite 406, Kansas City, Missouri 64108. We have been retained by Holiday Inn Club, Inc. in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my direct testimony on rate design issues which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. WR-2024-0104 and SR-2024-0105.
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.

  
\_\_\_\_\_  
William G. Stannard

Subscribe and sworn to before me this 10th day of September 2024.



  
\_\_\_\_\_  
Notary Public

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

2 A. My name is William G. Stannard and my business address is 215 W. Pershing Road,  
3 Suite 406, Kansas City, Missouri, 64108.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am Chair Emeritus of the Board of Directors and Executive Vice President of Raftelis  
6 Financial Consultants, Inc., a firm specializing in the provision of financial and  
7 management consulting services to the water and wastewater utility industry.

8 **Q. Did you file direct testimony on behalf of Holiday Inn Club Vacations, Inc. in  
9 this proceeding on August 20, 2024?**

10 A. Yes, and I refer the Commissioners to that testimony for a discussion of my  
11 educational background and work experience.

12 **Q. Was this testimony prepared by you or under your direct supervision?**

13 A. Yes.

14 **Q. And is it true and correct to the best of your knowledge?**

15 A. Yes.

16 **Q. Please briefly describe your role in this proceeding.**

17 A. I have been retained as an expert witness by HICV, a water and sewer customer  
18 of Liberty Utilities (Missouri Water), LLC (referred to as “Liberty”). I have been  
19 retained to analyze the testimony and workpapers provided by Liberty and to testify  
20 on HICV’s behalf in this proceeding.

21 **Q. Please provide a summary of your testimony.**

22 A. My testimony addresses the proposed cost allocation and rate design by Liberty. Even  
23 though in large part I support Liberty’s proposed cost allocation and rate design,

1 including the consolidation of all service areas other than Bolivar into a single tariff, I  
2 do not support Liberty's divergence from the actual cost of service in its proposed water  
3 rates. I also have some issues with the Company's billing determinants, specifically  
4 Liberty's failure to take into account the impact on billing determinants of the revenue  
5 adjustment for unbilled revenues.

6 **Q. Please describe Liberty's proposed consolidation of multiple service territories?**

7 A. Liberty has proposed consolidating its water and sewer rates into two groups. One  
8 group includes only the recently acquired Bolivar, Missouri water and sewer systems.  
9 The other group includes the remaining sixteen water service areas and six sewer service  
10 areas.

11 **Q. Do you support this proposed consolidation?**

12 A. Yes.

13 **Q. Do you have any other thoughts on consolidation?**

14 A. I support consolidation as proposed but disagree with any attempt to consolidate the  
15 newly acquired City of Bolivar systems with these other service areas, whether as part  
16 of this proceeding or in the future. The Bolivar system will require significant new  
17 investment to comply with Federal and State environmental and health laws and  
18 regulations. This required investment provides no value for the other service areas of  
19 Liberty. Consolidation of Bolivar with these other systems would essentially require all  
20 the existing ratepayers before the acquisition to subsidize the investment needed to  
21 upgrade Bolivar's system. For instance, if Bolivar were consolidated as part of this  
22 proceeding, HICV's rates would be increased by an additional 10% on top of the  
23 significant increase already sought by Liberty in this case without providing any benefit

1 to HICV ratepayers. The expected future investments required for Bolivar have yet to  
2 be incorporated in Liberty rate proposals and will most likely be reflected in Liberty's  
3 next rate case.

4 **Q. Are there aspects of Liberty's proposed cost allocation and rate design that you**  
5 **disagree with?**

6 A. Yes. In my opinion Liberty does not appropriately account for the impact on billing  
7 determinants caused by its proposed revenue reductions. In addition, I disagree with  
8 Liberty's proposed rate design and its variance from Liberty's cost of service analysis  
9 as presented in Liberty witness O'Neill's direct testimony.

10 **Q. What are billing determinants?**

11 A. Billing determinants are used by utilities in the rate design process to allocate the  
12 revenue requirement within a customer class and determine the final rates in a tariff.  
13 Liberty's billing determinants include three components, the number of bills issued to  
14 customers, the number of customer accounts by size of water meter, and the test year  
15 volume of water sales to customers.

16 **Q. Please explain the inter-relationship between Liberty's proposed revenue**  
17 **reductions and billing determinants.**

18 A. The test year billing determinants are a key component of the calculation of rates  
19 necessary to recover the final revenue requirement. After determining the necessary  
20 revenue requirement, the utility must appropriately allocate the revenue requirement  
21 across customer classes before determining the rates necessary to recover the revenue  
22 requirement. As part of the cost allocation process, the revenue requirement is allocated  
23 according to cost drivers to allocate costs to the various customer classes. Then the

1 utility determines which costs will be recovered through fixed charges and which by  
2 volumetric charges. Finally, the utility will divide the costs by the associated billing  
3 determinants to calculate the proposed tariff.

4 **Q. Is there a specific proposed revenue adjustment that you have an issue with?**

5 A. Yes, the revenue adjustment associated with unbilled revenue.

6 **Q. What is your proposal to fix the disconnect between proposed revenue reductions  
7 and billing determinants?**

8 A. In order to properly adjust the reported test year revenues to eliminate unbilled revenues,  
9 the associated billing determinants must not be removed from the total billing  
10 determinants. To do otherwise will shift the costs of unbilled revenues from Liberty to  
11 the Liberty customers who have no responsibility for the company's decision not to  
12 issue those bills.

13 **Q. Do you have any additional comments regarding Staff's proposed revenue  
14 adjustments?**

15 A. Yes. Staff in its testimony did not detail its proposed changes to Liberty's proposed  
16 revenue reductions that would allow me to understand the impact that these proposals  
17 would have on billing determinants. Accordingly, I reserve the right to offer additional  
18 testimony on the potential impact on billing determinants of Staff's proposals once I  
19 have the opportunity to analyze the impact in more detail.

20 **Q. What are your comments regarding Liberty's proposed rate design?**

21 A. I am in general agreement with Liberty's cost of service analysis prepared by Mr.  
22 O'Neill as it follows the generally accepted methodology for determining water utility  
23 cost of service as set forth by the American Water Works Association in its Manual of

1 Practice M1. However, the proposed rates do not align with the cost of service in one  
2 principal area. As shown on Figure 5 of Mr. O'Neill's direct testimony, the allocated  
3 cost of service for the three Liberty – Water functional categories for billing, meters and  
4 services are \$120,540, \$867,836 and \$1,659,435, respectively, for a total of \$2,647,811.  
5 Rather than using this cost-of-service amount, Liberty has decided to increase the  
6 amount recovered through the fixed charge by nearly 16% or \$416,000. Even though  
7 the result of this unjustified divergence from the detailed cost of service analysis reduces  
8 the cost of service-based volume rate, this failure to follow their own cost of service  
9 analysis shifts costs to small volume customers of the Liberty water systems resulting  
10 in further adverse effects on the affordability of Liberty's water service. I recommend  
11 that Liberty's water rates be designed in conformance with their own cost of service  
12 study.

13 **Q. Does this conclude your testimony?**

14 A. Yes.