

Exhibit No.:  
Issue: Update/True-up of Rate Base,  
Expenses and Revenues  
Type of Exhibit: True-up Direct Testimony  
Sponsoring Party: Liberty Utilities  
(Midstates Natural Gas) Corp.  
d/b/a Liberty Utilities  
Case No: GR-2018-0013  
Date Testimony Prepared: April 20, 2018

**Before the Public Service Commission  
of the State of Missouri**

**True-up Direct Testimony**

**of**

**Charles Evans**

**On behalf of**

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

**April 2018**



TRUE-UP DIRECT TESTIMONY  
OF  
CHARLES EVANS  
LIBERTY UTILITIES  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. GR-2018-0013

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TRUE-UP DIRECT TESTIMONY OF  
CHARLES EVANS  
LIBERTY UTILITIES  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. GR-2018-0013

1 **I. WITNESS IDENTIFICATION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Charles Evans. My business address is 2751 North High Street,  
4 Jackson, Missouri.

5 **Q. ARE YOU THE SAME CHARLES EVANS WHO PREVIOUSLY FILED**  
6 **DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING ON**  
7 **BEHALF OF LIBERTY UTILITIES?**

8 A. Yes.

9 **II. PURPOSE OF TESTIMONY**

10 **Q. WHAT IS THE PURPOSE OF YOUR TRUE-UP TESTIMONY IN THIS**  
11 **PROCEEDING?**

12 A. The purpose of my True-up testimony is to sponsor the accounting schedules  
13 updating various components of the Company's proposed revenue requirement in  
14 this case. These include an update of all rate-base and plant-in-service additions  
15 as of March 31, 2018, an update of operating expenses as of December 31, 2017,  
16 with known and measurable changes that have occurred through March 31, 2018,  
17 and operating revenues as of December 31, 2017.

18 **Q. WOULD YOU PLEASE IDENTIFY THE ITEMS WHICH WERE**  
19 **SUBJECT TO THE TRUE-UP?**

1 A. In accordance with the Notice Of Ruling Made At Procedural Conference  
2 Establishing Test Year, Case No. GR-2018-0013 (November 7, 2017)(“Test Year  
3 Order”), the issues anticipated for true-up include: changes to plant-in-service,  
4 depreciation reserve, all other rate base items (with the exception of revenue and  
5 expense lags for cash working capital), pensions and other post-retirement  
6 employee benefit costs, employee benefits, rate case expense, depreciation  
7 expense, income taxes, and other significant items that must be considered in  
8 order to maintain a proper relationship of revenues, expenses and rate base.

9 **III. UPDATE/TRUE-UP OF SPECIFIC ITEMS**

10 **A. TRUE-UP OF RATE BASE**

11 **Q. PLEASE QUANTIFY THE RATE BASE ITEMS THAT ARE BEING**  
12 **TRUED-UP BY THE COMPANY?**

13 A. The total rate base, as filed in the Company’s direct testimony and before the true-  
14 up items are included is \$99,166,650. All items that comprise the rate base are  
15 being trued-up, including:

- 16 • Gas Plant in Service
- 17 • Accumulated Depreciation
- 18 • Accumulated Deferred Income Taxes
- 19 • Natural Gas in Storage
- 20 • Customer Advances and Deposits
- 21 • Rate Base Offset
- 22 • Prepaid Expenses
- 23 • Energy Efficiency – Regulatory Asset

- 1           • Pension/OPEB – Regulatory Asset

2   **Q. PLEASE DESCRIBE HOW THE COMPANY HAS TRUED-UP THESE**  
3   **RATE BASE ITEMS.**

4   A. Generally, the Company has trued-up all rate base items as of March 31, 2018, in  
5   accordance with the Test Year Order. Specifically, the Company has trued-up the  
6   individual rate base items as follows:

7   Gas Plant in Service – individual plant balances recorded as of March 31, 2018  
8   have been included.

9   Accumulated Depreciation – all individual reserve balances as of March 31, have  
10   been included.

11   Accumulated Deferred Income Taxes – As of March 31, 2018, ADIT on plant has  
12   been included. The Company will provide additional data relating to tax timing  
13   differences through March 31, 2018 when they are available.

14   Natural Gas in Storage – a thirteen-month average ended March 31, 2018 has  
15   been included.

16   Customer Advances – a thirteen-month average ended March 31, 2018 has been  
17   included.

18   Customer Deposits – a thirteen-month average ended March 31, 2018 has been  
19   included.

20   Rate Base Offset – the rate base offset per acquisition with amortization through  
21   March 31, 2018 has been included.

22   Prepaid Expenses – a thirteen-month average ended March 31, 2018 has been  
23   included.

1        Energy Efficiency Regulatory Asset – the balance for the energy efficiency  
2        regulatory asset including the amortization has been trued-up to March 31, 2018.

3        Pension & OPEB Regulatory Asset – the pension and OPEB regulatory asset has  
4        been included and trued-up to March 31, 2018.

5                                    **B. TRUE-UP OF OPERATING EXPENSES**

6        **Q. PLEASE QUANTIFY THE OPERATING EXPENSE COMPONENTS**  
7        **THAT ARE BEING TRUED-UP BY THE COMPANY?**

8        A. The total operating expenses as filed in the Company’s direct testimony and  
9        before income taxes and the inclusion of true-up items was \$22,384,358. The  
10       expenses being trued-up include:

- 11                    • Depreciation and Amortization Expense
- 12                    • Property Taxes
- 13                    • Pension and OPEBs
- 14                    • Payroll and Associated Benefits and Taxes
- 15                    • Rate Case Expense
- 16                    • Income Taxes

17        **Q. PLEASE DESCRIBE IN MORE DETAIL HOW THE COMPANY TRUED-**  
18        **UP THESE OPERATING EXPENSE ITEMS.**

19        A. Generally, the Company has trued-up all operating expense items as of December  
20        31, 2017 with known and measurable changes as of March 31, 2018.  
21        Specifically, the Company trued-up operating expenses in the following manner:  
22        Depreciation and Amortization Expense – depreciation and amortization expense  
23        has been determined utilizing plant balances and regulatory asset balances as of

1 March 31, 2018 and the depreciation rates ordered in Case No. GR-2014-0152.  
2 WP-ADJ 9 Depreciation Adjustment Rebuttal True Up adjusts the annual  
3 depreciation expense based on the Company's depreciation study and proposed  
4 depreciation rates. The depreciation study adjustment has been trued-up to reflect  
5 plant balances as of March 31, 2018.

6 Property Taxes – property taxes on significant plant items such as AMR, PVC &  
7 Steel Main Replacements, and the Hannibal Shop, are being trued-up through  
8 March 31, 2018.

9 Pension and OPEB – pensions and OPEBs are being trued-up based on known  
10 and measurable information as of March 31, 2018.

11 Payroll – employee levels, current wage rates and corresponding payroll taxes and  
12 benefits. Annual payroll levels were determined by utilizing the known employee  
13 levels and wage levels in effect as of March 31, 2018. The associated payroll  
14 benefits and taxes were also determined using the known tax and benefit levels.

15 Rate Case Expense – rate case expense is being trued-up based upon invoices  
16 received and revised estimates, for remaining expense to be incurred, from all  
17 appropriate parties involved in this case. The Company will continue to furnish  
18 Staff with invoices and other cost support behind the requested rate case expense.

19 Income Taxes – income taxes have been trued-up to reflect the new tax reform  
20 rates.

21 **C. TRUE-UP OF REVENUES**

22 **Q. HOW HAS THE COMPANY TRUED-UP REVENUES?**

1 A. The Company has reflected its operating revenues as of December 31, 2017. No  
2 additional modifications to these revenues have been made by the Company, other  
3 than those adjustments proposed in Staff's direct testimony and accepted by the  
4 Company in its rebuttal testimony.

5 **IV. CURRENT REVENUE DEFICIENCY**

6 **Q. PLEASE EXPLAIN THE REVENUE DEFICIENCY SUMMARY**  
7 **SCHEDULES THAT ARE ATTACHED TO YOUR TRUE-UP**  
8 **TESTIMONY.**

9 A. I should note that the true-up schedules and resulting revenue deficiency were  
10 prepared consistent with the methodology and positions Liberty has previously  
11 adopted in this proceeding. As shown by those schedules, the Company's revenue  
12 deficiency as true-up to March 31, 2018 is \$7,132,577.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TRUE-UP TESTIMONY?**

14 A. Yes, it does.



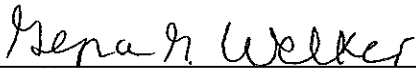
AFFIDAVIT OF CHARLIE EVANS

STATE OF MISSOURI                    )  
  ) ss  
COUNTY OF CAPE GIRARDEAU        )

On the 20th day of April, 2018, before me appeared Charlie Evans, to me personally known, who, being by me first duly sworn, states that he is Manager of Special Projects of Liberty Utilities – Central Region and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
Charlie Evans

Subscribed and sworn to before me this 20th day of April, 2018.

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

My commission expires: 05-02-2020.

