

Exhibit No.:
Issue(s): Incentive
Compensation, Cash
Working Capital
Witness: Courtney Horton
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: WR-2024-0104
Date Testimony Prepared: September 27, 2024

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

COURTNEY HORTON

**LIBERTY UTILITIES (Missouri Water), LLC,
d/b/a Liberty**

CASE NO. WR-2024-0104

*Jefferson City, Missouri
September 2024*

1
2
3
4
5
6
7
8
9

**TABLE OF CONTENTS OF
REBUTTAL TESTIMONY OF
COURTNEY HORTON
LIBERTY UTILITIES (Missouri Water), LLC,
d/b/a Liberty
CASE NO. WR-2024-0104**

EXECUTIVE SUMMARY1
INCENTIVE COMPENSATION.....1
CASH WORKING CAPITAL5

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **COURTNEY HORTON**

4 **LIBERTY UTILITIES (Missouri Water), LLC,**

5 **d/b/a Liberty**

6 **CASE NO. WR-2024-0104**

7 Q. Please state your name and business address.

8 A. My name is Courtney Horton, 200 Madison St., Jefferson City, Missouri 65101.

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

10 A. I am a Senior Utility Regulatory Auditor with the Missouri Public Service
11 Commission (“Commission”).

12 Q. Are you the same Courtney Horton who previously provided direct testimony
13 on August 20, 2024?

14 A. Yes, I am.

15 **EXECUTIVE SUMMARY**

16 Q. What is the purpose of your rebuttal testimony?

17 A. The purpose of my rebuttal testimony is to present updates to Commission
18 Staff’s (“Staff”) position in direct testimony on incentive compensation and to describe
19 corrections made to Staff’s direct testimony on cash working capital.

20 **INCENTIVE COMPENSATION**

21 Q. What changes did Staff make to incentive compensation expense?

22 A. In the direct filing, Staff was not able to address the Long-Term Incentive Plan
23 (“LTIP”), Short-Term Incentive Plan (“STIP”), and Shared Bonus Plan (“SBP”) due to lack of

Rebuttal Testimony of
Courtney Horton

1 sufficient data. In addition, in the direct filing, Staff allowed the inclusion of the LTIP and
2 disallowed the STIP and SBP. However, since the direct filing, Staff has received and reviewed
3 all the pertinent data and information regarding these plans. Staff's current position is to
4 disallow all of the LTIP since it is primarily tied to financial and growth objectives, and disallow
5 a portion of the STIP and SBP that is associated with growth objectives that do not directly
6 benefit ratepayers. However, Staff included 100% of union employees incentive compensation
7 expense as required by their Collective Bargaining Agreement ("CBA").

8 Q. Please explain Staff's position for disallowing the LTIP in its entirety.

9 A. Staff has consistently disallowed the LTIP plan in Liberty Utilities (Missouri
10 Water), LLC, d/b/a Liberty's ("Liberty Water") affiliate rate cases such as Case Nos. (The
11 Empire District Electric Company) ER-2021-0312 and (Liberty Midstates Natural Gas)
12 GR-2024-0106. These awards benefit Liberty Water's shareholders, not Liberty Water's
13 ratepayers. Also, there is no cash outlay for this equity-based incentive compensation. Liberty
14 Water is simply awarding stock options to its employees as part of their compensation.

15 Q. Please explain the STIP and SBP growth objectives that Staff disallowed from
16 its level of incentive compensation expense.

17 A. Liberty Water uses both ** [REDACTED]
18 [REDACTED] . ** In order to determine the appropriate
19 amount of short-term incentive plan costs to include in this case, Staff reviewed the ** [REDACTED]
20 [REDACTED] . ** Staff
21 disallowed the part of all awards associated with solely benefiting Liberty Water and
22 shareholders.

1 Liberty Water calculates the SBP and STIP award as follows:

2 *SBP Incentive Plan Calculations:*

3 ** [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED] **

7 *STIP Incentive Plan Calculations:*

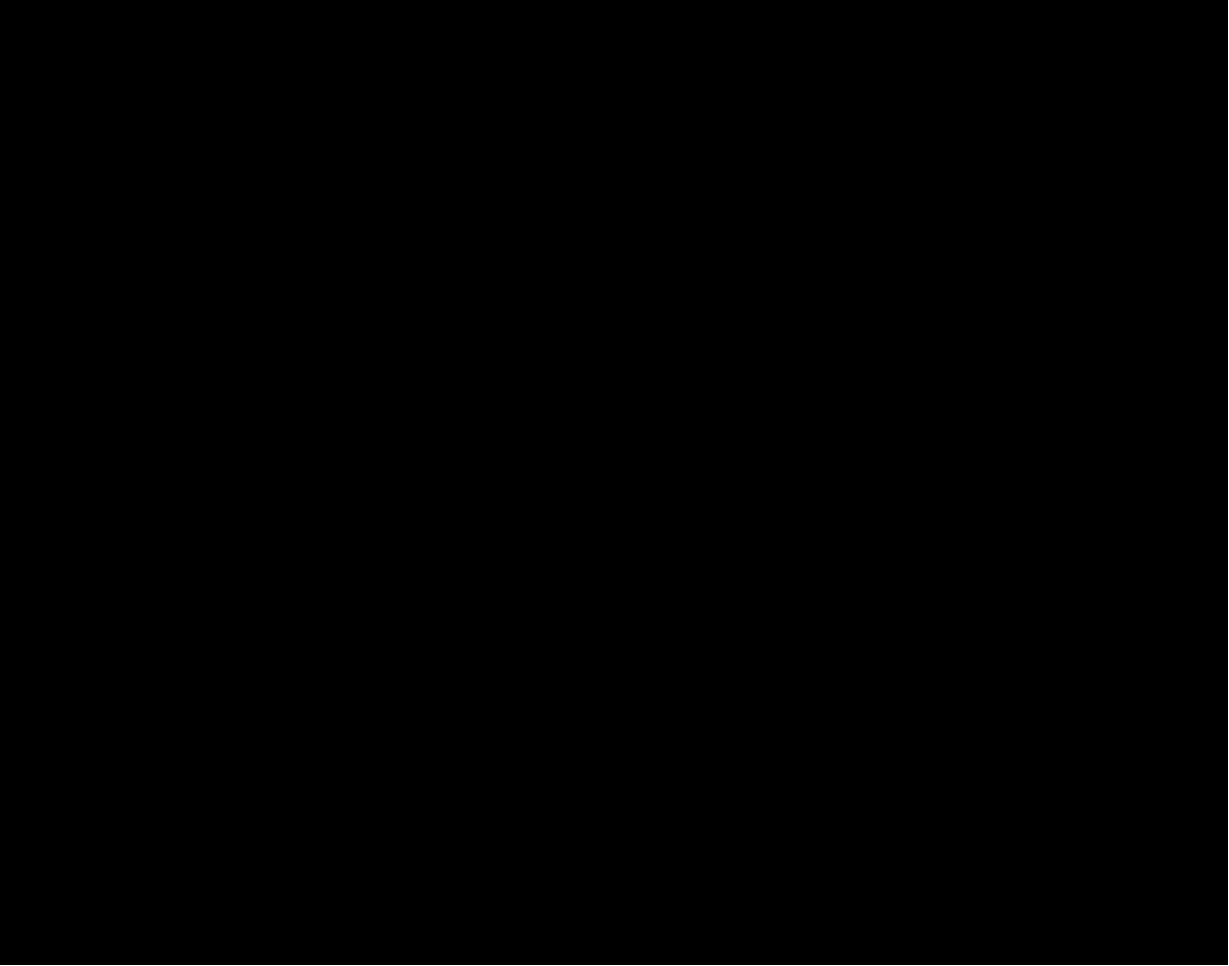
8 ** [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED] **

13 **Parent Scorecard:**

14 Both the SBP and STIP weighting calculations reference a parent scorecard. The parent
15 scorecard contains objectives set by the executive team and reflect financial and operational
16 objectives. The parent scorecard is the same for both plans and is broken down in the
17 confidential chart as follows:

1

**

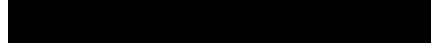


2

**

3

Staff disallowed the costs associated with the **



4



5



6

**. **

7

Divisional and Personal Scorecard:

8

While Liberty Water uses the same parent scorecard for all employees under the SBP

9

or STIP plan, the divisional scorecard varies for each division based upon the region. Staff

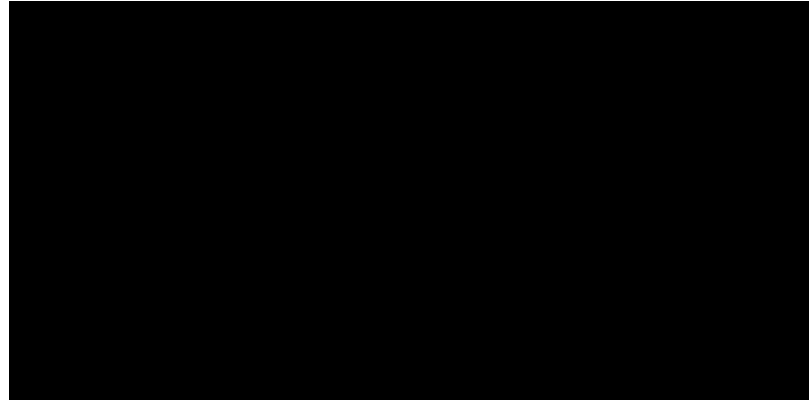
10

reviewed each divisional scorecard to disallow costs associated with measuring the

1 ** [REDACTED] . **

2 For the remaining award, Staff used the individual employee’s personal achievement/individual
3 multiplier to calculate incentive pay. The confidential table below illustrates the individual
4 performance multiplier, which is based on employee performance.

5 **



**

6
7 Q. What is Staff’s adjustment for the LTIP incentive compensation plan?

8 A. Staff’s adjustment for LTIP incentive compensation plan is -\$8,070.

9 Q. What is Staff’s adjustment for the STIP and SBP incentive compensation plan?

10 A. Staff’s adjustment for the STIP and SBP incentive compensation plan
11 is \$38,196.

12 **CASH WORKING CAPITAL**

13 Q. What changes did Staff make to cash working capital (“CWC”)?

14 A. In its direct filing, Staff inadvertently summed the revenue and expense lags and
15 included the positive expense lags as negative lags and vice versa with the exception of the
16 Public Service Commission (“PSC”) assessment expense lag. The PSC assessment expense lag
17 remained a negative number. Staff corrected these errors by subtracting the expense lags from
18 the revenue lags for each line item and made the negative expense lags positive and vice versa.

Rebuttal Testimony of
Courtney Horton

1 Finally, in Staff's accounting schedules, Staff removed the Operations & Maintenance
2 ("O&M"), Other Non-Labor line item and included this expense in its cash vouchers line item.

3 Q. What are cash vouchers?

4 A. Cash vouchers is a catch-all category for the remainder of O&M expenses not
5 included as specific line item in the lead lag study.

6 Q. Did Staff's changes to CWC result in a positive or negative cash working
7 capital requirement?

8 A. Staff's changes to CWC resulted in a negative cash working capital requirement.
9 This means that now the ratepayers are currently providing the cash working capital needs
10 during the test year and will be compensated through a reduction to rate base in the amount
11 of \$277,605. For further explanation of CWC, please refer to Staff witness Courtney Horton's
12 direct testimony filed in this rate case, pages 2-5, lines 19-23, 1-23, 1-22, and lines 1-7.

13 Q. Does this conclude your rebuttal testimony?

14 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Request of Liberty Utilities)
(Missouri Water) LLC d/b/a Liberty for) Case No. WR-2024-0104
Authority to Implement a General Rate)
Increase for Water and Wastewater Service)
Provided in its Missouri Service Areas)

AFFIDAVIT OF COURTNEY HORTON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW COURTNEY HORTON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Courtney Horton*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



COURTNEY HORTON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 23rd day of September 2024.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070



Notary Public