

Exhibit No.:
Issue(s): *Rate Design,
Miscellaneous Service
Charges, and Rate Case
Expense Disallowance*
Witness: *Melanie Marek*
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 & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

MELANIE MAREK

LIBERTY UTILITIES (Missouri Water), LLC,

d/b/a Liberty

CASE NO. WR-2024-0104

*Jefferson City, Missouri
September 2024*

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

1	
2	
3	
4	
5	
6	
7	EXECUTIVE SUMMARY1
8	RATE DESIGN2
9	MISCELLANEOUS SERVICE CHARGES4
10	RATE CASE EXPENSE DISALLOWANCE5

1 **RATE DESIGN**

2 Q. What was the proposed rate design by Liberty Water for its systems in its
3 direct testimony?¹

4 A. Liberty Water proposed consolidating all service areas, except the Bolivar
5 system, into a single tariffed rate by meter size and class. This is true of both water and sewer.
6 Bolivar would be the only sewer system remaining with a commodity charge, as well. Staff
7 agrees with this portion of Liberty Water's proposed rate design. Liberty Water proposed to
8 continue to charge different customer charges and commodity rates for each class, such as
9 industrial, commercial, and residential customers.

10 Q. Does Staff disagree with the classes Liberty Water currently has in its approved
11 tariff and this proposal for separate classes?

12 A. Based on information provided by Liberty Water, it is Staff's position that
13 differing rates for various classes is unnecessary and unsupported by the facts of this case. In
14 response to Staff's Data Request ("DR") No. 0142.0, Liberty Water responded stating there is
15 no separate infrastructure dedicated to different classes. Because of this it is Staff's position
16 that the service is too similar to differentiate classes at different rates.

17 Q. Has Staff reviewed Liberty Water's 'Alternative Rate Proposal' from Liberty
18 Water's direct testimony?²

19 A. Yes.

20 Q. What is Liberty's Alternative Rate Proposal?

21 A. It is Staff's understanding of the Alternative Rate Proposal that Liberty Water
22 believes the revenues received from its Bolivar sewer system exceeded its Cost of Service

¹ Page 20 on the direct testimony of Liberty Water's witness Thomas O'Neill

² Id.

1 (“COS”), causing a surplus of revenue for its Bolivar sewer system. Liberty Water proposed
2 using this surplus of revenue among the other rate districts instead of decreasing rates for its
3 Bolivar sewer system customers.

4 Q. Does Staff agree with Liberty’s plan?

5 A. No. Staff believes this is unnecessary because under Staff’s revenue
6 requirement, Bolivar sewer customers will receive a small increase in rates; therefore, there is
7 no surplus of revenues to transfer to other rate districts. If updated information is received to
8 lower Staff’s calculated revenue requirement for Bolivar’s sewer system, Staff will reevaluate
9 Liberty Water’s proposal.

10 Q. In your direct testimony you mentioned that Liberty Water was charging
11 customers based on classes and rates that do not appear in Liberty Water’s tariff. Does Liberty
12 Water seek authorization to charge these new rates that do not currently appear in their tariff?

13 A. No, Staff is uncertain what Liberty Water intends to do to resolve these
14 violations. Staff recommends that the Commission order that Liberty Water convert any
15 customers with rates that do not appear in tariffs, such as the ‘Sprinkler’ customer in the
16 Oakbrier service area, to a customer class and rate that appears in the Liberty Water’s tariffs.

17 Q. Did these unauthorized rates cause any calculations to be incorrect?

18 A. In addition to violating its tariff, it was also determined Liberty Water is
19 charging rates for meter sizes which are not authorized in its tariffs.³ The impact of these
20 erroneous revenue amounts are discussed in the rebuttal of Staff witness Angela Niemeier.

³ Responses to Staff DR Nos. 0108.0, 0108.1, 0108.2, 0108.3, 0108.4, & 0225.0 and in Thomas O’Neill’s Direct Testimony, Direct Schedule TO-5.12.

1 **MISCELLANEOUS SERVICE CHARGES**

2 Q. Did Liberty Water propose changes to its miscellaneous service
3 charge schedule?

4 A. Yes. Liberty Water proposed charging all its systems the same service charge
5 for the same services instead of having different charges for different tariffed areas.

6 Q. Does Staff agree with Liberty Water's proposed service charges?

7 A. Not exactly. While Staff agrees with charging the same amounts to each system
8 for the same services, it is Staff's position that some of the proposed fee amounts should
9 be different.

10 Q. Why should the fees be a different amount than what Liberty Water proposed?

11 A. It is Staff's position some of the charges should be closer to the actual cost of
12 the service. This would include connecting and disconnecting service, inspections, meter
13 testing, to name a few. In response to Staff's DR Nos. 0084.0, 0084.1, and 0084.2 Liberty Water
14 provided Staff with the costs to the company for each service that has a fee associated to it.
15 Because the systems of Liberty Water are diverse in location, some services may require more
16 travel time for its employees or contractors.

17 Q. Did Staff submit its proposed miscellaneous service charge schedule in
18 direct testimony?

19 A. Yes. In my direct testimony,⁴ I provided the Commission with Staff's
20 recommended service charges.

⁴ Melanie Marek Direct Testimony, Schedule MM-d7.

1 **RATE CASE EXPENSE DISALLOWANCE**

2 Q. Does Staff believe that Liberty Water’s Class Cost of Service (“CCOS”) was
3 necessary in this case?

4 A. No. As discussed in my direct testimony⁵, it is Staff’s position the CCOS was
5 unnecessary due to the similar nature of service provided to the various customers.

6 Q. What is a CCOS study, and what is its purpose?

7 A. A CCOS study examines the cost to provide service to each class (residential,
8 commercial, industrial, etc.). This is completed by reviewing the cost differences of providing
9 service to the different classes.

10 Q. Referring to Staff’s witness Sherrye Lesmes’ direct testimony⁶, do you agree
11 with disallowing the amount of the FTI Consulting, Inc.’s charges?

12 A. Yes. Staff understands not all the invoiced time was spent on the CCOS.
13 Staff has requested additional detail from Liberty Water to better detail the invoiced time.

14 Q. Why is it Staff’s position that the CCOS is unnecessary?

15 A. As stated in my direct testimony,⁷ there is no evidence of an additional cost to
16 each class to provide services. As stated earlier, Liberty Water states there is no separate
17 infrastructure dedicated to different classes. This means, for example, a commercial business
18 is using the same transmission and distribution mains as a residential customer, that there are
19 no dedicated booster stations, dedicated storage, etc. With no additional costs to produce a
20 gallon of water for a commercial customer versus a residential customer, there is no need to use

⁵ Melanie Marek Direct Testimony, page 2 line 21 through page 3 line 6.

⁶ Sherrye Lesmes Direct Testimony, page 7 line 21 through page 8 line 16.

⁷ Melanie Marek Direct Testimony, page 2 line 21 through page 3 line 6.

Rebuttal Testimony of
Melanie Marek

1 a CCOS to allocate the various costs among classes. In Staff's opinion, a simple rate design
2 based on the cost of service and billing determinants is all that is necessary.

3 Q. What was the outcome of Liberty Water's CCOS?

4 A. Due to the inaccurate and unreliable data, it is unclear what the outcome of the
5 Liberty Water prepared CCOS was supposed to be. However, Liberty Water did calculate and
6 propose rates based on the flawed CCOS.

7 Q. Please explain.

8 A. There were multiple errors in the provided workpapers, and a lot of data in the
9 testimony containing the CCOS was inconsistent and contradictory to the later DR responses.
10 It was later determined Liberty Water had provided outdated data for the 2022 year to FTI
11 Consulting, Inc⁸ which caused part of this issue, but some of the calculations do not appear to
12 have been utilized properly.

13 Q. Has Liberty Water filed an updated CCOS or rate design calculation from what
14 they now represent as the definitive billing determinant data?

15 A. Not as of the date of this testimony.

16 Q. Does this conclude your rebuttal testimony?

17 A. Yes it does.

⁸ Response to Staff DR No. 0026.4

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 MELANIE MAREK

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW MELANIE MAREK and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Melanie Marek*; and that the same is true and correct according to her best knowledge and belief.

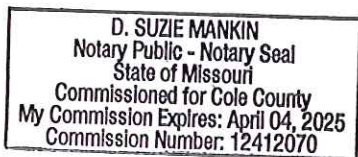
Further the Affiant sayeth not.



MELANIE MAREK

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.





Notary Public