

Exhibit No.: _____
Issue(s): Affordability/Customer Service
Witness/Type of Exhibit: Schaben/Rebuttal
Sponsoring Party: Public Counsel
Case No.: WR-2024-0104

REBUTTAL TESTIMONY

OF

ANGELA SCHABEN

Submitted on Behalf of the Office of the Public Counsel

**LIBERTY UTILITIES (MISSOURI WATER) CORP.
D/B/A LIBERTY UTILITIES'**

FILE NO. WR-2024-0104

September 27, 2024

TABLE OF CONTENTS

Testimony	Page
Introduction	1
Rate Affordability	2
Customer Service	7
The Bolivar Acquisition	12

REBUTTAL TESTIMONY
OF
ANGELA SCHABEN
LIBERTY UTILITIES (MISSOURI WATER) LLC., d/b/a LIBERTY
CASE NO. WR-2024-0104

1 **INTRODUCTION**

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

3 A. Angela Schaben, Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or “Public
4 Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. What are your qualifications and experience?**

6 A. Please refer to the Schedule ADS-R-1 attached hereto.

7 **Q. Have you testified previously before the Missouri Public Service Commission?**

8 A. Yes. Please refer to the Schedule ADS-R-2 attached hereto.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. My testimony is a response to Liberty’s direct testimony proposing a \$8,065,267 rate
11 increase, and how that proposal should be considered in light of customer service and rate
12 affordability issues raised by Liberty customers. I also respond to Liberty’s proposal to
13 charge its 12,100 water customers and 4,900 wastewater customers over \$5 million for the
14 Customer First investment found in Company Witness Lauren Preston’s direct testimony.

15 **Q. Please describe the attachments to your testimony and how they relate to the issues**
16 **you address.**

17 A. Attached and labeled as Schedule ADS-R-3 are the 345 customer comments received to
18 date through the Commission’s Electronic Filing and Information System (EFIS).¹ These

¹ Several comments appear to be duplicates, which could be the result of some customers e-mailing their comments to both the PSC and the OPC, and both entities entering the same comment into EFIS.

1 comments provide valuable customer feedback on numerous issues before the Commission
2 in this case.

3 **Q. What other sources can the Commission look to for customer feedback on**
4 **affordability, customer service, and other customer experiences?**

5 A. The local public hearing transcripts also provide customer feedback. However, those
6 transcripts were not available for preparing this testimony.

7 **Rate Affordability**

8 **Q. Why are you addressing rate affordability?**

9 A. Liberty is requesting an extremely large rate increase. The direct testimony of Mr. Antonio
10 D. Penna, Jr. states that Liberty's request amounts to an 84.81% increase over current
11 revenues, and for water rates, the proposal is approximately 130.37% over current revenues.
12 However, for some customers, the increases proposed by Liberty and the Commission Staff
13 are even higher. These are very large increases, likely the largest ever experienced by
14 Liberty's customers. This inherently raises the question of whether Liberty's customers will
15 be exposed to rate shock and whether lower income customers can afford these increases.

16 **Q. Can Liberty's customer afford these increases to their water and sewer bills?**

17 A. The comments submitted by Liberty customers suggest that many residential customers
18 cannot afford the proposed increase. This concern is raised most by customers on low fixed
19 incomes, such as elderly residential customers living month-to-month from social security
20 benefits. For these customers, an increase of this magnitude to their water and sewer bill
21 may require that they make sacrifices in spending on important expenses like food and
22 medicine.

1 **Q. Why would a customer forego medicine or food to pay their utility bill?**

2 A. Public utilities such as water and sewer are essential services because clean water is
3 necessary to sustain life, and sewer services are necessary to maintain sanitary living
4 conditions. Proper nutrition and/or taking needed medicines are sacrifices that may be less
5 harmful than foregoing water or sewer services. These sacrifices are most concerning for
6 Missouri’s elderly population and Missouri families with small children.

7 **Q. Why should the Commission be concerned with customers that state they cannot**
8 **afford the proposed increase?**

9 A. The Commission’s primary purpose is to protect the Missouri public, including Liberty’s
10 customers. In fulfilling its responsibilities to protect the public, the Commission should
11 always consider what potential impacts will result from large rate increases. “Protection
12 given the utility is incidental” to the Commission’s primary purpose of protecting the
13 Missouri public. The Missouri Supreme Court explained:

14 Let it be conceded that the act establishing the Public Service Commission,
15 defining its powers and prescribing its duties is indicative of a policy
16 designed, in every proper case, to substitute regulated monopoly for
17 destructive competition. **The spirit of this policy is the protection of the**
18 **public. The protection given the utility is incidental.** [emphasis added]

19 *State ex rel. Electric Co. v. Atkinson*, 204 S.W. 897 (Mo. 1918). Protecting the most
20 vulnerable ratepayers is of utmost importance because these Missourians stand to lose the
21 most from an unaffordable rate increase.

1 **Q. Public utilities need to make investments in their systems to provide safe and adequate**
2 **services and recover those investments from customers. How should the Commission**
3 **balance this need with rate affordability?**

4 A. The Commission can balance the needs of customers with the needs of the public utility by
5 ensuring that any rate increase granted by the Commission is *no more than what is necessary*
6 to provide safe and adequate service, while allowing for no more than a reasonable return
7 on prudently made investments into the systems.

8 **Q. What can public utilities do to address rate affordability and avoid rate shock?**

9 A. There are many strategies a public utility can take to help rate affordability. A utility can
10 focus its investments where needed most such as replacing aged plant and avoiding
11 unnecessary investments that do not improve the quality of service to a level that justifies
12 the cost. A utility can spread its large investments out over time so customers are not getting
13 hit with multiple large investments at once. A utility can seek bids to try and reduce costs
14 for its customers. A utility can also implement its investments prudently to ensure they do
15 not encounter problems that are costly to fix. These are among the many things a utility can
16 do to protect its customers from rate affordability concerns and rate shock.

17 **Q. You address rate affordability regarding residential customers primarily. Do you also**
18 **have a concern with rate affordability for businesses?**

19 A. Yes. Businesses also encounter difficulties paying for increases in their utility services.
20 Unlike a public utility providing services as a monopoly, when businesses pass their rate
21 increases on to their customers, that increase could result in a loss of customers. An existing
22 customer may choose to do business in another town with less costs or forego the service
23 altogether. To the extent the small business manages to maintain customers, those customers
24 will get hit twice with a rate increase – once for their own homes and again when the
25 businesses they frequent pass those increased utility bills on to their customers.

1 **Q. Please provide examples of affordability concerns raised in the customer comments**
2 **submitted in EFIS regarding Liberty’s proposal in this case.**

3 A. I ask that the Commission please read all customer comments. Following are examples of
4 the affordability issues raised by Liberty’s customers:

5 “I am retired on a fixed income and increasing the water rate that much would be a
6 hardship on me. I just hope they do not raise it that much.” (P202400392)

7 “People who live on fixed incomes and SSI only will not be able to afford that much
8 of an increase. That much of an increase is ridiculous.” (P202400396)

9 “I am on a fixed income and can’t afford this. When Liberty took over they said they
10 weren’t going to do this. They were totally misleading.” (P202400454)

11 “Census.gov lists the poverty rate in Bolivar around 20%, while the state is around
12 13%. \$55/month may not seem like much to some, but that is the difference between
13 eviction or feeding their children for many families in Bolivar.” (P202400457)²

14 “Our water bill is going to jump by over \$40 a month. That means that we are going
15 to be paying over \$80 a month for just water and sewer. What are we at the bottom
16 level supposed to do for water? Are we going to have to start hauling water in to use
17 each month?” (P202500796)

18 “I’ve had numerous issues with Liberties sketchy billing and no answers to why numbers
19 are hiking just always told it’s hot. This is becoming scary for a lot of folks my family
20 included who cannot afford to keep seeing rate increases one after another. First power
21 now water. My power and water alone is already \$400 a month and that’s not including
22 the \$70 for trash and sewage.” (Excerpt from P202500630)

² US Census Data indicates a median household income of \$40,530 with 21.9% people living below the poverty line in Bolivar, MO. Furthermore, 23% of the population is age 60 and over and 28% of the population is 19 and under. See Bolivar, Missouri demographics sheet attached as Schedule ADS-R-4.

1 "I received noticed of an increase of \$40 a month which doubles my bill. Aurora,
2 Missouri from 34.43 to 74.93. We are retired and on Social Security.. this seems
3 extreme!" (P202500624)

4 "I oppose the rate increase. 70% of our town is on SSI; how can we live on a 30%
5 increase? Liberty has no upgraded any of our water lines since they've taken over the
6 water service. They can't increase this to take care of what they've agreed to. Our bills
7 are already too high." (P202500491)

8 "I have lived in Bolivar, Mo for years. Since Liberty has purchased the water department
9 in town my bill has gone up from around \$30-\$50.00 a month to now over \$219.00 in a
10 month." (Excerpt from P202500412)

11 "Having lived in many places in the USA Bolivar, MO already has extremely high water
12 prices since the water was sold by the city. A 111% increase is absurd and has no business
13 standing or consumer understanding. It is an agnostic business decision that is for
14 shareholders greed and nothing more. In an economically depressed area of the country
15 to incur cost like this on residents is tantamount to torture. Many will go without water
16 because of the inability to pay for even the waste water fee or minimums. The social
17 helps are already tapped out in the city and would not be able to make up this difference.
18 This is an absurd rate hike that should be stop by any means." (P202400400)

19 **Q. How should the Commission consider rate affordability and rate shock in its**
20 **determination of whether to grant some or all of the requested rate increase?**

21 A. The Commission should factor this concern into every decision it makes in this case since
22 rate increases are most impactful on those less able to afford any rate increase.

1 **Q. One of your schedules shows Census data specific to Bolivar, Missouri. How does this**
2 **data relate to rate affordability?**

3 A. Census data shown for Bolivar, Missouri in Schedule ADS-R-4, provides demographic data,
4 economic data, household data, etc., in comparison to Missouri's overall Census results.
5 Bolivar's median household income is \$40,530, which is around three-fifths of Missouri's
6 overall median household income of \$65,920. Additionally, 21% of children under the age
7 of 18 and 13% of seniors over the age of 65 live below the poverty line. Overall, 21.9% of
8 Bolivar residents live below the poverty line, exceeding Missouri's overall poverty rate of
9 12.8% by 1.5 times. This schedule clearly illustrates the affordability impact of Liberty's
10 proposed rates on an area with a large number of individuals living on a fixed income and
11 a poverty rate that significantly exceeds Missouri's overall poverty rate.

12 **Q. Are there other approaches the Commission can consider to help offset rate shock for**
13 **customers?**

14 A. One option is to not implement a rate increase all at once, and to phase a rate increase in
15 over time to allow customers to better adjust to the changes it will require them to make.
16 Since many customers may be required to make sacrifices in their daily living expenses, a
17 phased in rate would give customers more time to adjust to the rate shock imposed by high
18 rate increases of essential utility services.

19 **Customer Service**

20 **Q. What evidence is there of the level of customers service that Liberty has been providing**
21 **its customers?**

22 A. The best evidence of customer service is to hear directly from Liberty's customers. The
23 notice sent by the Company to customers solicits feedback for this reason – to hear directly
24 from the public receiving services from the utility. This is the same public that will also be
25 asked to shoulder any rate increase. Many Liberty customers took this opportunity to reach

1 out to the Commission and voice their concerns with the proposed increase by submitting
2 comments into EFIS and by offering comments at one of the local public hearings.

3 **Q. How should the Commission factor public comments into the decisions it makes on the**
4 **issues raised in this case?**

5 A. One of the purposes of the Public Service Commission is to be a substitute for competition
6 because as a natural monopoly, public utilities do not have competitive pressure to keep
7 rates affordable and customer service satisfaction high. Those pressures must come from
8 the Commission because public utilities have “captive” customers in that they cannot leave
9 the utility to receive water and sewer services from another provider. The Commission
10 should ask whether the level of services provided by the public utility would allow it to
11 sustain the same customer base if the public had options to receive their water or sewer
12 services from other providers with better services and rates. If customer services are poor
13 and in a competitive environment customers would likely choose to take their business to
14 other utility companies, one way to mimic a competitive environment is to reduce revenues
15 consistent with unsatisfied customers leaving the system to take their business to
16 competitors.

17 **Q. What feedback have customers provided through their comments regarding the level**
18 **of customer services provided by Liberty?**

19 A. Many customers offered comments asserting that the level of customer services they
20 received since Liberty’s last general rate review is extremely low. Issues raised include
21 numerous billing errors, missed billings, call center problems, lack of available
22 representatives, and more. These comments are attached as Schedule ADS-R-3 and are in
23 addition to the comments asserting poor customer services raised in the public hearings.

1 **Q. Please provide examples of customer service concerns raised in the customer**
2 **comments submitted in EFIS regarding Liberty’s proposal in this case.**

3 A. Similar to my request relating to customer comments on affordability, I ask that the
4 Commission please read all customer comments. Following are examples of the
5 customer service issues raised by Liberty’s customers:

6 “I oppose this increase . Liberty services has been severely lacking since the new billing
7 system was put in place. Not happy with the service paid for now, do not want to pay more
8 for poor service.” (P202500641)

9 “LIBERTY UTILITIES has recently petitioned MPSC to increase water charges in my
10 community more than 130%. I am extremely opposed to this increase due to their poor
11 service over the years, especially recently. We have frequent outages and boil orders
12 which sometimes last up to a week. I have had several major errors on my billing, which
13 their customer service has never corrected or adjusted for me. The most recent bill from
14 Feb 2024 was more than twice my normal amount, but they never followed up to check
15 my meter or explain why that one month was so high. I made 7 calls to Liberty to try to
16 get this bill explained and/or corrected and each time a different agent told me it would
17 be taken care of.” (P202500008)

18 “I strongly oppose the rate increase due to extremely poor service we have received from
19 Liberty over the past years. Water outages, boil orders, incorrect billing, poor customer
20 service with no follow-up are just a few of the issues our area has experienced. Please
21 deny their request for an increase in rates! Thank you!” (P202500003)

22 “[Customer] lives in Bolivar & is unhappy that Liberty is asking for such a large rate
23 increase. City did not agree to this after city sold to Liberty. Things agreed to are not being
24 met on Liberty's end. Would like the PSC to deny the rate increase. Liberty also has new
25 billing system that is awful and has so many issues including poor customer service.”
26 (P202400772)

1 “We don't have any other choice for providers. This was not brought up to the public. This
2 effects the more rule parts, but the notices for the hearing were not published in any local
3 news in my area. I live in Marionville and the closest hearing is over an hour away in
4 Branson. We didn't get any notice of this in our local news source, just in the Monet times.
5 No notice was received in my billing or received by mail. I am 81 years old and can't get
6 to the hearing that far away. I don't have the capability to attend the online hearing. Liberty
7 has gotten out of hand. Their billing, their customer service, and their rates are all horrible,
8 now they want this outrageous rate increase.” (P202500631)

9 "All of the billing issues with Liberty is causing severe anxiety. This has been going on
10 for months. Why didn't Liberty do inside testing to work out the kinks, instead of using
11 the public as guinea pigs? We are having to do the work FOR Liberty, going through
12 months of billing and usage to point out their mistakes to have them fix it. Liberty is a
13 Canadian company, they do not care about Bolivar Missouri and it shows." (P202500489)

14 “I am a current resident of Bolivar Missouri and a customer of Liberty Utilities. The
15 proposed rate changes of a 143 percent increase is preposterous. I have dealt with other
16 utility companies and never come across a company with such disregard for its customers.
17 There is no logical reason for increase as there is never a logical reason for the erratic
18 billing issues that occur daily. People leave this town just due to the utility company.
19 Please deny request before this town is dragged further into poverty.” (P202400564)

20 “Liberty Utilities should not be allowed to raise rates of water further. Their takeover of
21 water and sewer services from the City of Bolivar was full of bad decisions and mistakes.
22 I received bills from Liberty after 1 year of water/sewer service with them, showing I had
23 used multiple millions of gallons of water per month. It took over three months to resolve.
24 The excuse I was given was their billing and meters were not compatible and were reading
25 my residence incorrectly. I still have documentation regarding these bills. I have been
26 unable to use their online services to check water/sewer usage or pay my bill since they

1 took over water/sewer services. Meters are rarely read and usage is commonly estimated,
2 resulting in inaccurate billing.” (P202400401)

3 **Q. What other evidence is there of the poor customer service faced by Liberty customers?**

4 A. Commission Case No. WO-2022-0253, styled, “In the Matter of an Investigation into the
5 Operation and Condition of Liberty Utilities (Missouri Water), LLC d/b/a Liberty Utilities.”
6 The Commission opened this docket at the Staff’s request to address a number of problems
7 with Liberty’s provision of water and sewer service. These include customer service issues
8 such as billing and whether Liberty is properly advising customers of their right to have
9 complaints addressed by the Commission. Attached to this testimony as ADS-R-5 is the
10 Staff’s Report in that case.

11 **Q. How should the Commission address these serious issues raised by many Liberty**
12 **customers demonstrating a very poor quality of customer service?**

13 A. The worst thing the Commission can do is simply ignore this and not hold the Company
14 responsible. Doing nothing would signify to customers that the Commission is not
15 concerned with customer service, and that the comments offered through EFIS and in the
16 local public hearings does not matter. What the Commission can do is provide customers
17 relief through an offset in revenues related to the Company’s provision of poor customer
18 service.

19 **Q. How can the Commission provide a revenue offset for customers?**

20 A. One way the Commission can do this is to disallow recovery of all or portion of the
21 Company’s investment in its Customer First system. The switch to this system and the
22 numerous billing issues it caused presents the Commission with a reasonable investment in
23 which to disallow investment recovery.

1 **Q. What disallowance do you recommend?**

2 A. The Commission has significant discretion in what disallowance it can order, and it can be
3 dependent on the Commission's findings on the severity of the problems this has caused
4 Liberty's customers. I recommend the Commission disallow at least half of the cost of
5 Customer First, with the caveat that if the Company is able to correct these issues before its
6 next rate case, the Company can begin to recovery all of the investment at that time.

7 **Q. What other options does the Commission have for a disallowance to address these**
8 **concerns?**

9 A. Another approach is for the Commission to disallow any return on the Customer First
10 investment. The theory behind this approach is that the Company should not be allowed to
11 earn a return on an investment that has and continues to cause numerous customer problems
12 as identified in the comments raised by Liberty's customers. The Commission could also
13 provide relief to Liberty's customers with a combination of these approaches, such as
14 disallowing half of the investment and the entirety of the return on the investment. Again,
15 the Company would have the opportunity in its next rate case to demonstrate that it has
16 corrected the problems and is entitled to greater recovery of the Customer First investment.

17 **The Bolivar Acquisition**

18 **Q. A large number of the negative feedback comments from customers regarding**
19 **Liberty's proposed rate increase come from customers served by the newly acquired**
20 **system in Bolivar. What are some of the concerns raised by Bolivar residents regarding**
21 **Liberty's proposed increase?**

22 A. One common theme repeated by Bolivar residents is their belief that the entire city was
23 misled into believing Liberty would not impose anything close to the increase proposed in
24 this case. These customers also raise the issues and concerns identified by other
25 communities served by Liberty regarding poor customer service, billing problems, water
26 quality problems, and affordability issues due to the high rate increase being proposed.

1 **Q. What do you propose the Commission do regarding Bolivar?**

2 A. I propose the Commission take into account the feedback from customers in Bolivar and the
3 assertions made by the Company and city officials before the acquisition as compared to the
4 rates being proposed now. To the extent there is evidence produced in this case during the
5 evidentiary hearing of customers being misled, the Commission should hold those rates to
6 levels that are closer to what was promised by Liberty and city officials.

7 **Q. The City of Bolivar is a party to this case. Do you believe they would be the party to**
8 **best demonstrate that they were misled by Liberty?**

9 A. Yes. Rebuttal testimony, surrebuttal testimony, and evidence produced during the
10 evidentiary hearing will provide the City of Bolivar an opportunity to address these issues.

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

12 A. Yes.

