

Exhibit No.: _____
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Witness: James A. Fallert
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Sponsoring Party: Liberty Utilities
(Missouri Water) LLC d/b/a Liberty
Case No.: WR-2024-0104
Date Testimony Prepared: September 2024

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

Rebuttal Testimony

of

James A. Fallert

on behalf of

Liberty Utilities (Missouri Water) LLC d/b/a Liberty

September 27, 2024



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LIBERTY UTILITIES (MISSOURI WATER) LLC D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. WR-2024-0104

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1 **I. INTRODUCTION**

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

3 A. My name is James A. Fallert. My business address is 3507 Burgundy Way Dr., St.
4 Louis, MO, 63129.

5 **Q. Are you the same James A. Fallert who provided direct testimony in this matter
6 on behalf of Liberty Utilities (Missouri Water) LLC d/b/a Liberty (“Liberty” or
7 the “Company”)?**

8 A. Yes.

9 **Q. What is the purpose of your rebuttal testimony in this proceeding before the
10 Missouri Public Service Commission (“Commission”)?**

11 A. I will be addressing certain direct testimony statements which were made by Staff
12 witness Angela Niemeier regarding pension and other post-employment benefits
13 (“OPEB”) issues.

14 **II. PREPAID PENSION ASSET**

15 **Q. Please describe the prepaid pension asset.**

16 A. The prepaid pension asset is the cumulative difference between the amount of
17 contributions the Company has made to the pension trusts and pension cost included in
18 rates. In an ongoing plan, the net periodic benefit cost is the amount of funds provided
19 by customers through rates. The prepaid pension asset is the amount of funding by the
20 Company in excess of the amount provided through rates and is therefore appropriately
21 included in rate base.

1 **Q. Has Staff included the prepaid pension asset in its direct filing?**

2 A. No. The Company identified the prepaid pension asset in an amount of \$86,942 in its
3 direct filing. However, Staff did not include a prepaid pension asset in its case.

4 **Q. Did Staff provide an explanation for failing to include the prepaid pension asset
5 in rate base?**

6 A. Staff witness Niemeier states that “without a current tracker in place, there is no
7 expense to be tracked and calculated. Establishing the tracker is the first step in the
8 process.” (Niemeier Dir., p. 6).

9 **Q. Is this a logical rationale for excluding the prepaid pension asset in this case?**

10 A. No. The prepaid pension asset exists independent of the tracker. It is the amount of
11 pension funding by the Company in excess of the amount collected through rates.

12 **Q. Given that there was no tracker established in Case No. WR-2018-0170, how did
13 the Company determine the amount that has been collected through rates?**

14 A. As Ms. Niemeier indicates, “in the prior rate case, WR-2018-0170, pension and OPEB
15 expenses were not included in rates.” (Niemeier Dir., p. 3). Thus, there were \$0
16 collected through current rates.

17 **Q. What then are the components of rate base for pensions?**

18 A. There are two components:

19 1. The prepaid pension asset is the difference between funding by the Company
20 and pension costs recovered in rates. As noted above, the amount included in rates in
21 the 2018 case was \$0. The prepaid pension asset represents cash contributed by the
22 Company in excess of rate recovery and exists whether or not a tracker is in place.

23 2. The tracker balance is the difference between the expense portion of net
24 periodic benefit cost and the specific dollar amount to be tracked, as specified by the

1 Commission in an order establishing a tracker. This would of course only be included
2 in rate base subsequent to a tracker being established, and therefore there is no tracker
3 balance included in this case.

4 **Q. Why is Staff's methodology excluding the prepaid pension asset from rate base in**
5 **the absence of a tracker unfair to the Company?**

6 A. Staff's approach ignores the impact of the cash contributions that the Company has
7 made to the pension plan.

8 **Q. Do you have any experience with situations where a prepaid pension asset has**
9 **been included in the absence of a tracker?**

10 A. My personal experience with this issue goes back to my time as an employee at Laclede
11 Gas Company. Both Laclede and Staff were calculating prepaid pension assets and
12 including them in rate base in rate cases in the 1990s. This was before the first pension
13 trackers were established in the early 2000s.

14 **Q. On what basis do you make that statement?**

15 A. In Commission Case No. GR-99-315 (Laclede Gas Company), as a part of his direct
16 testimony, Staff witness Stephen Rackers described the basis for the inclusion of a
17 prepaid pension asset in Laclede's rate base.

18 **Q. What year was Mr. Rackers' referenced testimony submitted to the Commission?**

19 A. 1999. A copy of Mr. Rackers' direct testimony in Case No. GR-99-315 is attached
20 hereto as **Rebuttal Schedule JAF-1**.

21 **Q. When did Laclede Gas Company first have a Commission ordered tracker for its**
22 **pension expense?**

23 A. In 2002, as a result of the Commission's approval of a stipulation and agreement
24 implementing the tracker in Case No. GR-2002-356. See **Rebuttal Schedule JAF-2**.

1 **III. PROPOSED PENSION AND OPEBS TRACKER**

2 **Q. Both the Company and Staff have proposed establishing a tracker in this case for**
3 **pensions and OPEBs. Are there any differences between the two proposals?**

4 A. The two proposals are essentially the same, but for one minor difference. This is in
5 relation to the manner in which the tracked amount is to be defined by the Commission
6 in its order. The Company's proposal stated that this amount should be stated after
7 transfers to construction. The Staff's proposal would state this amount before transfers
8 to construction.

9 **Q. Why did the Company propose stating that the tracked amount be determined**
10 **after transfers to construction?**

11 A. We patterned our proposal after the tracker currently in place for Liberty's Missouri
12 gas operations. Specifically, we used the tracker that was renewed in Case No. GR-
13 2018-0013.

14 **Q. Has the tracker amount been stated on a before transfers basis in any past cases?**

15 A. Yes. When the tracker was first established for the Company's Missouri gas
16 operations, it was stated this way. This was in Case No. GR-2014-0152.

17 **Q. Why was the stated tracked amount changed from before transfers to after**
18 **transfers in the 2018 case?**

19 A. Since the tracked amount is compared to actual expense on an after transfers basis, we
20 found that it is more straightforward to state the tracked amount on an "after transfers"
21 basis as well. I would suggest that we do the same in this case.

1 IV. CONCLUSION

2 Q. Do you have any additional comments?

3 A. Given the technical nature of Pension and OPEBs issues, we have initiated discussions
4 with Staff and hope to find common ground with regard to the issues I have identified.

5 Q. Does this conclude your rebuttal testimony?

6 A. Yes.

VERIFICATION

I, James A. Fallert, under penalty of perjury, on this 27th day of September 2024,
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ James A. Fallert