

Exhibit No. _____
Issue: Cash Working Capital
Witness: Timothy S. Lyons
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Liberty Utilities (Missouri
Water) LLC
Case No.: WR-2024-0104
Date Testimony Prepared: September 2024

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

Rebuttal Testimony

of

Timothy S. Lyons

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

1 I. **INTRODUCTION**

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

3 A. My name is Timothy S. Lyons. My business address is 3 Speen Street, Suite 150,
4 Framingham, Massachusetts 01701.

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

8 A. Yes, I am.

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

11 A. The purpose of my rebuttal testimony is to address recommendations by Commission
12 Staff (“Staff”) witnesses Courtney Horton and Angela Niemeier regarding the
13 Company’s cash working capital (“CWC”) requirement.

14 In addition, this rebuttal testimony presents the Company’s proposed cash
15 working capital requirement in rebuttal testimony, as shown in **Rebuttal Schedule**
16 **TSL-1**, page 1. The Schedule shows a cash working capital requirement of \$210,590,
17 based on the Company’s adjusted test year expenses filed in rebuttal testimony and the
18 lead-lag days as provided in direct testimony.

1 **II. RESPONSE TO STAFF WITNESS HORTON**

2 **Q. What are Staff witness Horton’s recommendations regarding the Company’s**
3 **CWC requirement?**

4 A. Ms. Horton recommends the following changes to the Company’s revenue lag and
5 expenses leads in the Company’s lead-lag study.

- 6 • Reduce the billing lag from 4.14 days to 3.00 days to reflect the Company’s
7 new billing system.
- 8 • Reduce lead days on pension expense from 54.00 days to 52.30 days.
- 9 • Increase lead days on Other Post-Employment Benefits (“OPEB”) expenses
10 from 240.50 days to 255.50 days.
- 11 • Reduce lead days on Other O&M expenses from 20.74 days to 20.44 days.
- 12 • Increase lead days on the PSC assessment from 14.13 days to 173 days to reflect
13 that Company having a one-time payment option.

14 **Q. What is the impact of Ms. Horton’s recommendations?**

15 A. Ms. Horton’s recommendations reflect a cash working capital requirement of
16 \$405,564, as shown in **Rebuttal Schedule TSL-1**, page 2. The recommendations
17 represent an increase of \$194,974 over the Company’s cash working capital
18 requirement in rebuttal testimony.

19 **Q. Does the Company have concerns with Ms. Horton’s recommendations?**

20 A. Yes. While the Company is willing to consider many of Ms. Horton’s
21 recommendations, the Company has concerns with certain calculations, such as the
22 proposed billing lag. Ms. Horton’s proposed adjustment as discussed on page 3 of her
23 testimony is designed to reflect that “...each meter reading cycle has a scheduled meter
24 reading date and a scheduled bill date that are three business days apart.” However,

1 Ms. Horton’s three-day adjustment reflects calendar days while the Company’s meter
2 reading schedule is based on billing days. When adjusted to reflect calendar days rather
3 than business days, the Company’s billing lag is reasonable.

4 **III. RESPONSE TO STAFF WITNESS NIEMEIER**

5 **Q. What is Staff witness Niemeier’s recommendation regarding the Company’s**
6 **CWC requirement?**

7 A. Ms. Niemeier recommends the Company increase lead days for federal and state
8 income tax payments from 37 days to 365 days. Ms. Niemeier’s recommendation is
9 based on the Commission’s order in a Spire Missouri rate case, Case No. GR-2021-
10 0108, that found it appropriate to utilize lead days for federal and state income tax
11 payments of 365 days because Spire Missouri was not required to make income tax
12 payments in the test year or true-up period. Ms. Niemeier states that Liberty is in a
13 similar situation as Spire Missouri in not having to make income tax payments in the
14 future since Liberty has available a large net operating loss carryforward (“NOLC”)
15 balance.

16 **Q. What is the impact of Ms. Niemeier’s recommendation?**

17 A. Ms. Niemeier’s recommendation to increase lead days for federal and state income tax
18 payments from 37 days to 365 days increases the Company’s CWC requirement to
19 \$1,218,299, as shown in **Rebuttal Schedule TSL-1**, page 3. The recommendations
20 represent an increase of \$1,007,710 over the Company’s cash working capital
21 requirement in rebuttal testimony.

22 **Q. Does the Company agree with Ms. Niemeier’s recommendation?**

23 A. No. The Company does not agree with an increase in lead days for federal and state
24 tax payments from 37 days to 365 days because it does not reflect the Internal Revenue

1 Service's ("IRS") payment schedule for income taxes in accordance with IRS
2 Publication 542. Specifically, IRS Publication 542 states that estimated tax payments
3 are due by the 15th day of the 4th, 6th, 9th, and 12th month of a corporation's tax year.
4 For the Company's tax year ending December 31, the estimated tax payments are due
5 April 15, June 15, September 15, and December 15. These payment dates were used to
6 develop the Company's lead days for income tax payments in this rate case proceeding.

7 **Q. Does this conclude your rebuttal testimony?**

8 A. Yes, it does.

VERIFICATION

I, Timoty S. Lyons, 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/ Timothy S Lyons