

Exhibit No.: _____
Issue: Excess Accumulated Deferred
Income Tax
Witness: Michael McCuen
Type of Exhibit: Rebuttal Testimony
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

Michael McCuen

on behalf of

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

September 27, 2024



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

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

2 A. My name is Michael McCuen. My business address is 602 South Joplin Avenue, Joplin,
3 Missouri, 64802.

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

7 A. Yes.

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

10 A. The purpose of my rebuttal testimony is to address on behalf of Liberty certain
11 recommendations made by Angela Niemeier on behalf of the Commission Staff
12 (“Staff”) regarding the Company’s Excess Accumulated Deferred Income Tax
13 (“EADIT”) and multiple stub periods.

14 **Q. What is Staff witness Niemeier’s recommendation regarding the Company’s**
15 **EADIT?**

16 A. Ms. Niemeier identifies three different stub periods for measurement of Federal and
17 State EADIT. These stub periods include January 1, 2020, through April 30, 2024, for
18 State EADIT; January 1, 2018, through December 8, 2018, for Federal EADIT; and a
19 future stub period from April 30, 2024, through February 10, 2025, for both Federal
20 and State EADIT. (Niemeier Dir., pp. 21-24).

1 **Q. Has Staff witness Niemeier provided calculations for these multiple stub period**
2 **EADIT calculations?**

3 A. No. In her direct testimony, Ms. Niemeier stated she would address the amounts in
4 rebuttal testimony.

5 **Q. Do you agree with the stub period EADIT concept or approach?**

6 A. No. First, there is no such thing as a stub period for EADIT after the Tax Cuts and Jobs
7 Act (“TCJA”) remeasurement date of December 31, 2017. All accumulated deferred
8 income tax (“ADIT”) was already remeasured to provide customers with the benefit of
9 the reduced federal tax rate. I will need to see the actual calculation from Staff to
10 comment on any possible normalization issues.

11 **Q. Have you seen the use of the phrase “stub period” in prior cases?**

12 A. Yes. The use of the phrase “stub period” was typically used when rates charged to
13 customers did not include the reduced tax rate from TCJA. This stub period amount
14 was calculated using a revenue requirement model to ascertain the amount by which
15 customer rates were based on utilizing a higher income tax rate compared to the revenue
16 requirement calculation based on the reduced tax rate. Some Commissions established
17 a regulatory liability for this difference in revenue requirement calculations and
18 ultimately returned this regulatory liability back to customers over an agreed upon
19 timeframe. This calculation had nothing to do with ADIT or plant in any way and
20 therefore has nothing to do with EADIT.

21 **Q. Did the Commission address the revenue impact of the TCJA?**

22 A. Yes. The Commission opened Case No. AW-2018-0237 to gather information from
23 regulated small water and sewer utility providers to determine the impacts of the TCJA.

1 **Q. What was the conclusion of Case No. AW-2018-0237?**

2 A. Staff issued a Report that determined that there were multiple scenarios for these small,
3 regulated utilities. Some utilities saw an increase in their tax rates and others had a
4 decrease. For utilities with a decrease in their tax rate, Staff calculated an estimated
5 amount of rate reduction associated with the reduction in the federal income tax rate
6 due to TCJA. Staff also specifically identified three “larger” small water and sewer
7 companies in the state that would see a reduced corporate tax rate.

8 **Q. Did Staff identify or calculate an estimated rate reduction for Liberty?**

9 A. No.

10 **Q. Did the Commission close Case No. AW-2018-0237?**

11 A. Yes. On November 27, 2018, the Commission issued a Notice of Closing File. Staff
12 advised the Commission that its investigation was complete.

13 **Q. Did Staff inform or request Liberty to create a regulatory liability for TCJA?**

14 A. No. With the closing of Case No. AW-2018-0237, Liberty was not required to do
15 anything more with TCJA.

16 **Q. Has Staff identified any specific cases or notices that would have an impact on
17 stub period state taxes?**

18 A. No, and Liberty is not aware of any specific Commission Order directed to regulated
19 small water and sewer utility providers around state tax rate change.

20 **Q. What is Liberty’s request related to Staff’s proposal?**

21 A. Liberty requests that the stub period EADIT proposed by Staff be denied entirely.

22 **Q. Does this conclude your rebuttal testimony at this time?**

23 A. Yes.

VERIFICATION

I, Michael McCuen, 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/ Michael McCuen