

Exhibit No.: _____
Issues: Billing Determinants, Annualized
Revenue, CCOS, Rate Design
Witness: Thomas O’Neill
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

Thomas O’Neill

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
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1 **I. INTRODUCTION**

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

3 A. My name is Thomas O'Neill Jr. My business address is 999 17th Street, Suite 700,
4 Denver, Colorado, 80202.

5 **Q. Are you the same Thomas O'Neill 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 primarily addressing certain direct testimony statements made by Angela
12 Niemeier and Melanie Marek, who appear on behalf of the Staff of the Commission
13 ("Staff") regarding Revenue, Billing Determinants, Class Cost of Service and Rate
14 Design. I will also address certain matters found in the direct testimony of Holiday Inn
15 Club Vacations, Inc. ("Holiday Inn") witness William Stannard and city of Bolivar
16 ("Bolivar") witness Jessica York.

17 **II. STAFF'S CALCULATION OF ANNUAL REVENUE**

18 **Q. What amount of annualized revenue does Staff include in its cost of service?**

19 A. Staff's proposed annual revenue is \$8,388,899.

1 **Q. What approach did Staff take to determine the amount of annual revenue?**

2 A. Staff calculated a fixed (or base) rate revenue based on customer meter counts as of
3 April 30, 2024, a volumetric or commodity rate revenue based on gallons consumed
4 and accounted for miscellaneous revenues. For the fixed rate, the customer count at
5 each meter size was first multiplied by the minimum charge, or the customer charge,
6 and then multiplied by 12 to annualize that revenue stream. The consumption data was
7 on an annual basis and was therefore multiplied by the applicable volumetric charge at
8 the 1,000s of gallons level.

9 **Q. Does the Company agree with Staff's approach?**

10 A. Yes. Staff's approach is reasonable regarding the billing data used to generate revenues
11 and calculate the revenue proof. However, Staff is inadvertently using incorrect
12 consumption data for a handful of water service areas including Lakeland Water,
13 Whispering Hills, Oakbrier and Bolivar Water, as well as Bolivar Sewer. These service
14 areas all have existing fixed charges that include a portion of the water consumed in
15 that billing period, which is not subject to the volumetric charge. For example, Bolivar
16 Water's existing fixed charge includes the first 2,000 gallons used in that period; for a
17 customer using 4,000 gallons, only 2,000 would be subject to the volumetric
18 commodity charge. This difference between the Company and Staffs calculations is
19 discussed further below. The Company has discussed these discrepancies with Staff. I
20 understand that Staff is currently reviewing the consumption data utilized in their
21 revenue calculation.

22 **Q. What amount of revenue should be utilized when composing the Company's cost**
23 **of service?**

1 A. The Company believes that its proforma balance of \$9,328,837 as stated on Rebuttal
2 Schedule CSW-1, from Cindy Wilson's rebuttal testimony, is more indicative of the
3 amount of annual revenue that the Company receives from its customers under existing
4 rates.

5 **III. CLASS COST OF SERVICE AND RATE DESIGN**

6 **Q. Please comment on the current state of the Liberty billing determinants as they**
7 **are being used in this proceeding.**

8 A. Since filing direct testimony, the Company has addressed various comments made by
9 the parties as to the Test Year billing determinant data used in this case. Given that
10 Liberty is composed of numerous smaller 'service areas', gathering exact comparable
11 billing data was a challenging task leading up to the initial rate case filing. The
12 Company has since worked to respond to data requests propounded by Staff and other
13 intervenors and has submitted updated Test Year 2022 billing determinants that were
14 then used by the Company to run an updated Class Cost of Service and Rate Design. A
15 copy of the supplemental data request response is attached to my testimony as **Rebuttal**
16 **Schedule TO-1.**

17 **Q. Please comment on the proposed Rate Design consolidation position laid out in**
18 **Staff witness Marek's direct testimony. (Marek Dir., pp. 15-29).**

19 A. Staff witness Marek lays out several rate design methodology proposals, many of which
20 are very similar to those proposed by the Company in its original filing. One of the
21 more impactful components of this rate proceeding is the proposed consolidation of the
22 rate used for the various service areas served by Liberty. Ms. Marek has proposed that
23 rate design for the Company be consolidated into two water 'rate districts' and two
24 sewer 'rate districts' - a water and sewer district for Bolivar only and a water and sewer

1 district for all other service areas. This is identical to the consolidation proposed in my
2 direct testimony, and the Company agrees this consolidation approach will be most
3 beneficial to customers at this time.

4 **Q. Have you reviewed Staff witness Marek's direct testimony schedules?**

5 A. Yes.

6 **Q. Are there any components of Staff witness Marek's direct testimony schedules to**
7 **which you would like to respond?**

8 A. Yes. In Direct Schedule MM-d4, witness Marek lists that the total consumption for
9 Bolivar water is approximately 90 million gallons. However, given Bolivar's existing
10 rate structure, in which the first 2,000 gallons are included in the fixed charge, I believe
11 Staff witness Marek is only accounting for the 'step 1' consumption for both residential
12 and commercial Bolivar customers, or the consumption that is included in that fixed
13 charge and thus not subject to the variable commodity charge. In the updated billing
14 determinants submitted in response to Staff data request 0025, I show the data for
15 Bolivar customers that demonstrates that the total consumption charged in the variable
16 rate for all Bolivar customers is closer to 186 million gallons. There is a similar issue
17 for Lakeland Water, Whispering Hills Water, Oakbrier Water, and Bolivar Sewer. This
18 impacts the final rate design proposed by Staff witness Marek, particularly for Bolivar,
19 and ultimately suggests that the volumetric charges Staff witness Marek has provided
20 could likely be smaller.

21 **Q. Please comment on the proposed Rate Design structure for water customers, both**
22 **within Bolivar and for all other service territories as laid out in Staff witness**
23 **Marek's testimony.**

1 A. In general, the rate structure proposed by Staff witness Marek is similar to that proposed
2 by the Company. Staff witness Marek proposes that all Residential, Commercial and
3 Industrial customers be subject to simple base rate charges: a monthly fixed customer
4 charge based on meter size, and a monthly commodity charge based on the volume of
5 water consumed. The Company and Staff witness Marek both propose that the practice
6 of including certain consumption increments in the monthly fixed charge be ended.

7 **Q. Where do the Company and Staff differ?**

8 A. The major difference between the rate design structure proposed in my initial direct
9 testimony and the testimony of Staff witness Marek is the treatment of the Bolivar
10 water rate structure. Liberty did not originally propose that Bolivar water have the same
11 rate structure as the other water service areas, and instead submitted a proposed rate
12 design conforming to the existing Bolivar rate structure. Staff witness Marek has
13 proposed that Bolivar water essentially adopt the same rate structure as the other water
14 service areas. In this instance, the Company agrees with Staff witness Marek that
15 changing the Bolivar water rate structure to match the other water rate district is
16 appropriate.

17 Another significant difference between the Company's originally proposed
18 rates and those proposed by Staff witness Marek is the distinction of customer classes
19 in the volumetric rates. Whereas the Company separated out the variable costs between
20 rate classes in their original filing, Staff witness Marek has proposed all customer
21 classes within a rate district have the same volumetric consumption charge. While the
22 Company is not necessarily opposed to this approach, I will note that at certain revenue
23 requirement values, this could result in very high volumetric costs for larger customers,
24 such as industrial customers with a very high monthly water consumption number.

1 **Q. Please comment on the proposed Rate Design structure for Sewer customers, both**
2 **within Bolivar and for all other service territories proposed in Staff witness**
3 **Marek's direct testimony. (Marek Dir., pp. 30-40).**

4 A. The proposed rate structure found in Staff witness Marek's testimony is very similar to
5 that proposed by the Company in its original filing. The Company agrees that the non-
6 Bolivar Sewer district should have only a single, fixed monthly charge, which is not
7 dependent on water consumption, and that the Bolivar sewer rate structure change only
8 slightly compared to its existing structure.

9 **Q. Is there a difference between the Company and Staff's proposed Rate Design**
10 **structure for sewer customers?**

11 A. The only difference in sewer rate structure that Staff witness Marek proposes compared
12 to the Company's initial proposal is that the customer charge be determined by meter
13 size, and not predicated on the customer's class. As stated above, Liberty was hesitant
14 to propose any changes to the Bolivar systems rate structure but agrees that such change
15 would be appropriate.

16 **Q. Please comment on the Class Cost of Service and/or Rate Design issues raised by**
17 **Holiday Inn witness William Stannard.**

18 A. In his direct testimony, Mr. Stannard raised an issue as to how the Company calculated
19 the fixed charge component of rate design compared to the Class Cost of Service. In
20 particular, Mr. Stannard questioned why the Company proposed to include more
21 revenue in the fixed charge than indicated by the Cost of Service of those components.
22 While Mr. Stannard's question is valid and pertinent, the rate designs presented by both
23 the Company and the Staff have been designed to mitigate customer impacts as much
24 as possible, given the large increase to revenue requirement necessary in this case.

1 **Q. Please comment on the Class Cost of Service and/or Rate Design issues raised by**
2 **Bolivar witness Jessica York.**

3 A. Ms. York raised a number of issues regarding the Company's filed Class Cost of
4 Service, particularly regarding historical allocation data that the Company does not
5 have due to the Company's acquisition of the Bolivar systems in early 2022. While it
6 would be ideal to have more historic information, the Company and Staff are using the
7 most relevant and pertinent data as is available in order to make their rate design
8 proposals.

9 **IV. CONCLUSION**

10 **Q. Please summarize your conclusions for this testimony.**

11 A. My conclusion is that the Company and Staff are generally in agreement as to the best
12 rate design methodology for both water and sewer customers. In particular, Staff and
13 the Company are in agreement on the necessity of consolidating the water and sewer
14 service areas in a manner that benefits customers over time and allows for the Company
15 to better manage and invest in the overall system.

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

17 A. Yes.

VERIFICATION

I, Thomas O'Neill, 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/ Thomas O'Neill