

*Exhibit No.:*  
*Issue(s):* Bolivar Regulatory  
Asset and Rate Case  
Expense Policy  
*Witness:* Ashley Sarver  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case No.:* WR-2024-0104  
*Date Testimony Prepared:* October 24, 2024

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL & BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**ASHLEY SARVER**

**LIBERTY UTILITIES (Missouri Water), LLC,**

**d/b/a Liberty**

**CASE NO. WR-2024-0104**

*Jefferson City, Missouri*  
*October 2024*

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Surrebuttal Testimony of  
Ashley Sarver

1 will be determined in Liberty Water's next general rate case, but Staff  
2 agrees to support Liberty Water's rate recovery at this amount.

3 Q. In the Agreement, did the Commission determine the future ratemaking  
4 treatment to be provided to the unamortized amount?

5 A. No.

6 Q. What is Liberty Water's position regarding the Bolivar acquisition  
7 regulatory asset?

8 A. On page 12, lines 11 through 13, Liberty Water's witness Cindy S. Wilson states  
9 in her rebuttal testimony that "the regulatory asset that was identified in the Stipulation and  
10 Agreement represents a portion of the actual cost of the assets and therefore should not only be  
11 allowed to be recovered but should earn a fair return."

12 Q. What is the Bolivar acquisition regulatory asset?

13 A. The Bolivar acquisition regulatory asset is the difference between the book value  
14 of the assets and the market value of the assets.

15 Q. What is Staff's position regarding the balance of the Bolivar acquisition  
16 regulatory asset in this case?

17 A. Staff is allowing Liberty Water to recover the regulatory asset amount over a  
18 ten-year period in amortization expense but not earn a return on the regulatory asset.

19 Q. What is the difference between a return "on" and a return "of"?

20 A. A return "on" is the return allowed in rates on the shareholders' equity  
21 investment in a regulatory utility. A return "of" is a dollar for dollar recovery through an  
22 expense such as an amortization.

23 Q. Why is Staff recommending not to include a return "on" of the assets?

1           A.     Staff recommends a sharing of the responsibility for the regulatory asset between  
2 Liberty Water's shareholders and customers by allowing Liberty Water to recover the cost  
3 through a ten-year amortization, but not allowing a return on the unamortized balance in rate  
4 base. This approach does not assign the full risk of the cost solely on customers, but also assigns  
5 a portion of this risk to Liberty Water's shareholders.

6           Q.     What does Staff recommend in this case?

7           A.     Staff recommends that the Commission in this case order all of Bolivar's  
8 regulatory asset that was established per the Agreement to be included in rates through a  
9 ten-year amortization. Staff also recommends that the balance of the regulatory asset be  
10 excluded from the Liberty Water's rate base.

11     **RATE CASE EXPENSE POLICY**

12          Q.     What is Liberty Water's position regarding rate case expense sharing?

13          A.     Liberty Water's witness Cindy S Wilson states on page 29, lines 4 and 5, of her  
14 rebuttal testimony, that Liberty Water should be able to recoup 100% of these costs.

15          Q.     What is Staff's recommendation for rate case expense in its direct testimony?

16          A.     Beginning on page 4 of my direct testimony, I stated that Staff recommends  
17 Liberty Water's customers and shareholders share 50/50 of the actual rate case expense and  
18 Liberty Water recover through rates 100 percent of the cost of the depreciation study and  
19 customer notices.

20          Q.     Please explain why it is problematic for utilities to be allowed full recovery of  
21 rate case expense.

22          A.     Allowing a utility to recover all, or almost all, of its rate case expense creates an  
23 inherent disincentive for the utility to control rate case expenses. For every other participant in

Surrebuttal Testimony of  
Ashley Sarver

1 the rate case proceeding, their funds are ultimately limited by budgetary and financial  
2 constraints. The ability to pass through the entire amount of expense, along with significant  
3 financial resources, creates what can be viewed as an unfair advantage over the parties during  
4 the rate proceeding.

5 Q. Do shareholders and ratepayers benefit from the rate case process?

6 A. Yes. The rate case process allows the Commission to ensure consumers receive  
7 safe and adequate service at just and reasonable rates and allows the Commission to ensure the  
8 utility's shareholders have the opportunity to earn a reasonable return on their investment.  
9 Since shareholders and ratepayers benefit from the rate case process, it is reasonable for  
10 shareholders and ratepayers to share the costs equally.

11 Q. Does this conclude your surrebuttal testimony?

12 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of the Request of Liberty Utilities )  
(Missouri Water) LLC d/b/a Liberty for ) Case No. WR-2024-0104  
Authority to Implement a General Rate )  
Increase for Water and Wastewater Service )  
Provided in its Missouri Service Areas )

**AFFIDAVIT OF ASHLEY SARVER**

STATE OF MISSOURI )  
) ss.  
COUNTY OF COLE )

**COMES NOW ASHLEY SARVER** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Ashley Sarver*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**ASHLEY SARVER**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21<sup>st</sup> day of October 2024.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
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Notary Public