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Case No.: WR-2024-0104

SURREBUTTAL TESTIMONY
OF
ANGELA SCHABEN

Submitted on Behalf of the Office of the Public Counsel

LIBERTY UTILITIES (MISSOURI WATER) CORP.
D/B/A LIBERTY UTILITIES'

FILE NO. WR-2024-0104

** _____ **
Denotes Confidential Information that has been redacted.

October 24, 2024

PUBLIC

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SURREBUTTAL TESTIMONY

OF

ANGELA SCHABEN

LIBERTY UTILITIES (LIBERTY WATER) LLC., d/b/a LIBERTY

CASE NO. WR-2024-0104

1 **INTRODUCTION**

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

3 A. Angela Schaben, Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or “Public
4 Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Angela Schaben who filed rebuttal testimony for the OPC in this
6 case?**

7 A. Yes.

8 **Q. What is the purpose of your surrebuttal testimony?**

9 A. My testimony is a response to Liberty witness Cindy Wilson’s rebuttal testimony as she
10 responds to direct testimony of Staff and the city of Bolivar in this case. In order to provide
11 the bigger picture of the series of events that led to certain Company requests within this
12 rate case, I will refer to Liberty witness Lisa Schwartz’s testimony from Liberty’s CCN case
13 as I respond to witness Wilson’s rebuttal testimony. I also respond to Staff’s rebuttal
14 Accounting Schedules.

15 **Q. You addressed affordability and customer service in your rebuttal testimony. Are you
16 also addressing affordability and customer service in this testimony?**

17 A. Yes. I am writing the following testimony with affordability and customer service in mind
18 as I address various issues.

1 **AFFORDABILITY AND CUSTOMER SERVICE**

2 **Q. Liberty Water witness Cindy Wilson addresses a regulatory asset related to Bolivar’s**
3 **acquisition in her rebuttal testimony for which the Company is requesting a return on.**
4 **Please describe the history of this regulatory asset.**

5 A. In Case No. WA-2020-0397 and SA-2020-0398, the Certificate of Convenience and
6 Necessity application docket (“CCN case”) related to the Bolivar systems, Staff
7 recommended establishing Bolivar’s rate base utilizing net book value rather than the
8 appraisal value of \$20 million. Liberty purchased the system for \$23.5 million. Liberty
9 asked to establish rate base at the appraisal value of \$20 million as it considered itself a
10 large water public utility “premised on the fact that RSMo. §393.320 states “[t]he
11 procedures contained in this section may be chosen by a large water public utility, and if so
12 chosen shall be used by the public service commission to establish the ratemaking rate base
13 of a small water utility during an acquisition.””¹ Staff did not agree. Ultimately, rate base
14 was established as \$5,566,992 for water and \$8,356,492 for sewer, totalling \$13,923,484.
15 Additionally, a regulatory asset in the amount of \$3,981,385 (\$1,612,758 for water and
16 \$2,368,627 for water) was established.

17 **Q. How was net book value established in Case No. WA-2020-0397?**

18 A. Net book value appears to derive from 2019 plant numbers found in WA-2020-0397
19 workpapers. Attached as Schedule ADS-S-1 is the Bolivar Water and Sewer plant
20 worksheet from years 1981 through 2021, supplied as a response to data request 30 in the
21 Bolivar CCN case.

22 **Q. Does the Stipulation and Agreement identify the \$3,981,385 regulatory asset as**
23 **representing “a portion of the actual cost of the assets”?**

24 A. No. The Stipulation and Agreement states the following:

¹ Direct Testimony of Jill Schwartz, File No. WA-2020-0397, page 3.

1 Additionally, the Signatories request that the Commission authorize Liberty to
2 establish a regulatory asset in the amount of \$3,981,385 (\$1,612,758 for water and
3 \$2,368,627 for sewer). Rate recovery of this regulatory asset will be determined in
4 Liberty's next general rate case, but Staff agrees to support Liberty's rate recovery
5 of this amount.

6 Staff agreed to support Liberty's rate recovery of the \$3,981,385. Staff did not agree to
7 support Liberty's recovery on the regulatory asset. In summary, the WA-2020-0397
8 Stipulation and Agreement did not classify the regulatory asset as part of the cost of Bolivar
9 assets. Therefore, Staff supported a recovery of, but not on the regulatory asset of
10 \$3,981,385.

11 **Q. Do you support Staff's position relating to recovery of the regulatory asset in this case?**

12 A. In part. I agree with Staff's position relating to recovery of the asset. However, in order to
13 address affordability, and balance the interests of customers, I support Bolivar witness Mr.
14 James A. Leyko's proposal of aligning the recovery period to the average remaining life of
15 the Bolivar assets. Mr. Leyko's proposal is based on Liberty's depreciation study, which
16 appears to assign approximately 13 years of remaining life to water assets and 19 years of
17 remaining life to sewer assets.²

18 **Q. Going back to the regulatory asset and Liberty Water's request to establish rate base
19 at the appraisal value, why did Staff propose establishing rate base at net book value?**

20 A. At the time of the Bolivar CCN application, Liberty served 7,636 water customers and 638
21 sewer customers and therefore did not qualify to use the appraisal method provided by
22 §393.320, RSMo. Furthermore, several of the Bolivar assets dated back to the 1950's, were
23 fully depreciated, and had a net zero rate base value.³

² Direct Testimony of James A. Leyko, File No. WR-2024-0104, page 16.

³ WA-2020-0397 Staff Report, page 8-9; Attached as Schedule ADS-S-2.

1 **Q. In other words, if Liberty Water were allowed to set rate base at the \$20 million**
2 **appraisal value, customers would be required to pay the Company a return on fully**
3 **depreciated assets that would inevitably require replacement?**

4 A. Yes. Under the appraisal method, the Company would be allowed to recover a return on
5 fully depreciated assets from customers. Then when the fully depreciated assets are
6 upgraded or replaced, customers will be on the hook to pay an additional return on said
7 upgrades and/or replacements.

8 **Q. According to page 13 of Ms. Wilson’s testimony, “Witness York’s approach would**
9 **ignore the improvements that are in service and used and useful for Liberty’s**
10 **customers in Bolivar, such as the conversion from chlorine gas to liquid to improve**
11 **safety, Mission monitoring on lift stations, lift station upgrades, SCADA upgrades on**
12 **water, well pump replacements, new standby generators. and the new Customer First**
13 **System”. Do these “improvements” align with the proposed improvements to**
14 **Bolivar’s water system in Staff’s report filed in WA-2020-0397⁴?**

15 A. No. Under the “Proposed Improvements to the Water System” section of Staff’s report,
16 Staff states, “Short-term improvements under consideration by Liberty include upgrades to
17 the SCADA system and replacement of the current gaseous chlorine cylinder supplied
18 disinfection with a chlorine solution supplied alternative. This kind of upgrade is routine
19 and has been done at many water systems in Missouri over the past several years.”

20 **Q. Ms. Wilson indicates Liberty’s investments in Bolivar water should be included in rate**
21 **base due to the regulatory compact principle. Do you agree?**

22 A. In part. While the investments may be used and useful, Liberty has not provided the burden
23 of proof that its investments in Bolivar Water were prudent, necessary, or meet the minimum
24 standard of providing safe, adequate, and reliable service at a reasonable price. Had the

⁴ Bolivar CCN Case

1 Bolivar residents been informed of Liberty’s intentions regarding excessive investment in a
2 water system that needed little upgrade, then they may have voted against the sale of the
3 Bolivar water system.

4 **Q. Why are you under the impression that Bolivar’s water system required little**
5 **upgrade?**

6 A. As asserted above, under the “Proposed Improvements to the Water System” section of
7 Staff’s Report, Staff states:

8 Short-term improvements under consideration by Liberty include upgrades to the
9 SCADA system and replacement of the current gaseous chlorine cylinder supplied
10 disinfection with a chlorine solution supplied alternative. This kind of upgrade is
11 routine and has been done at many water systems in Missouri over the past several
12 years.

13 Additionally, Liberty’s response to Staff in DR 2 within the CCN case states, “[b]ased on
14 Liberty’s review, the water system appears to be in good condition and operated in a
15 compliant manner by the City. Further, based on Liberty’s review and to the best of its
16 knowledge, the water system is in compliance with all state and federal water quality
17 regulations and is current on all regulatory permits.”⁵

18 **Q. Did Liberty offer Bolivar the complete picture to include the potential true cost of both**
19 **capital investments and operational and maintenance (O&M) expenses once Liberty**
20 **owned the system?**

21 A. In my opinion, no.

⁵ Liberty response to Staff DR 2; File No. WA-2020-0397. Also attached within Schedule ADS-S-3.

1 **Q. Why?**

2 A. Shown below in figure 1 is a portion of an information sheet distributed amongst the citizens
3 of Bolivar before the vote. Notice the section asking if the transfer of Bolivar water and
4 wastewater systems to Liberty Utilities is “good for our rates”.

5 **Figure 1:**

On June 2, 2020, Bolivar voters will be asked to transfer the responsibility of our water and wastewater systems to Liberty Utilities to better comply with new regulatory demands on Bolivar customers.

	YES: IF QUESTIONS 1 & 2 ARE APPROVED...	NO: IF QUESTIONS 1 & 2 FAIL...
Is it good for the environment?	<ul style="list-style-type: none">✓ Protects our community's water and wastewater systems.✓ Helps Bolivar make important investments in our water and wastewater systems.	<ul style="list-style-type: none">✗ City would be required to submit a plan of short- and long-term capital investments, operations and maintenance issues by 2020.✗ City would be locked into a decades-long plan of compliance and enforcement, ongoing legal fees, and cost upgrades to the sewer plant.
Is it good for our rates?	<ul style="list-style-type: none">✓ Questions 1 and 2 do not increase water or sewer rates.✓ Liberty Utilities does not project a rate increase for these systems until 2024.✓ Future rate increases are projected to be less than what the City of Bolivar has proposed based on Liberty Utilities' experience, efficiency, and existing services in the area, pending regulatory approval.	<ul style="list-style-type: none">✗ EPA-required upgrades will force the city to increase rates.✗ Average monthly bills would range from \$48 to \$376.

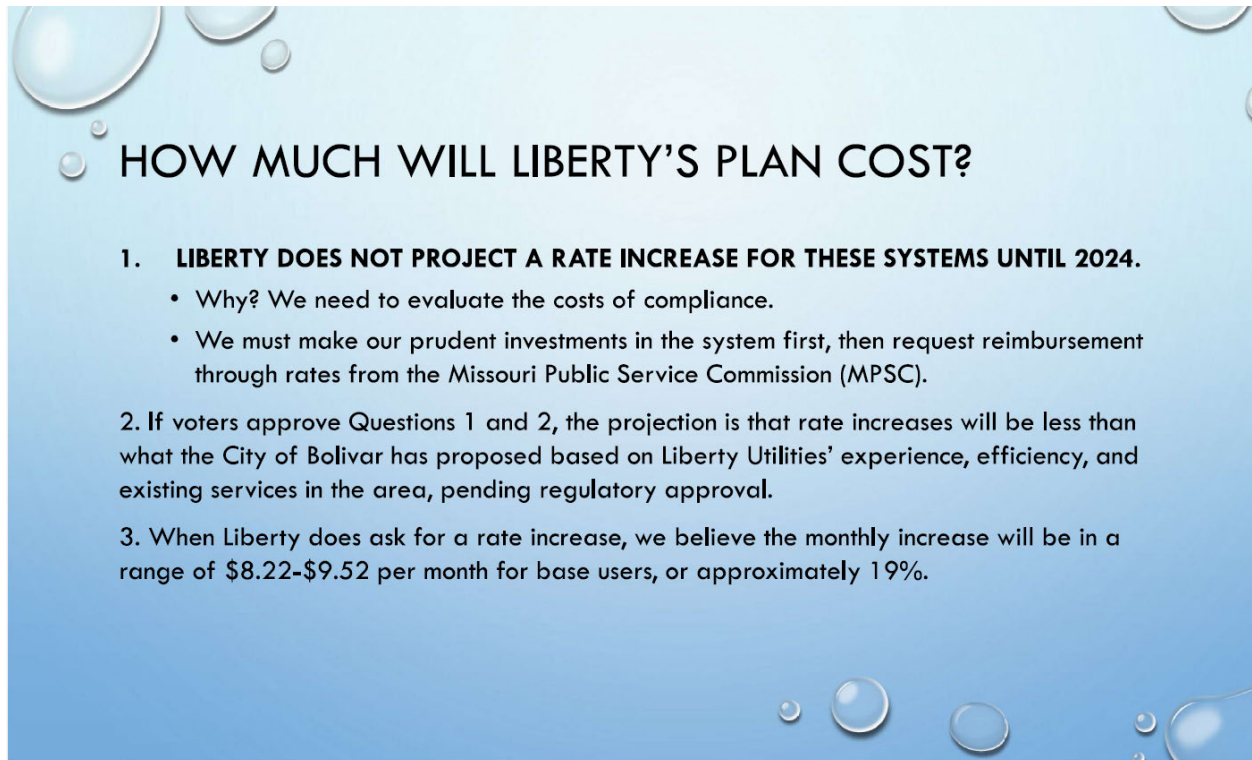
6

7 Bolivar residents were led to believe that future rates for both water and wastewater
8 combined would be less under Liberty, in part due to Liberty's experience and efficiency.
9 This is misleading in the sense that Liberty representatives informed Bolivar that “[w]hen
10 Liberty does ask for a rate increase, we believe the monthly increase will be in a range of

⁶ Partial mailing Bolivar residents received in the mail regarding Liberty Utilities water and sewer acquisition.

1 \$8.22-\$9.52 per month for base users, or approximately 19%”.⁷ This is shown in Figure 2
2 below:

3 **Figure 2:**



4
5 What Liberty failed to disclose, before the vote, is the company's high cost of operations
6 and maintenance expenses, some of which is allocated to affiliate operating companies
7 through shared service allocations.

8 **Q. Are there numbers to support Liberty's approximate 19% increase by which Bolivar**
9 **customers based their decision to sell the water and wastewater systems?**

10 **A.** During the CCN case, Liberty witness Jill Schwartz opined whether she believed the
11 estimated 20% increase would constitute rate shock, to which she responds:

⁷ Liberty response to Staff DR 22; File No. WA-2020-0397. Also attached within Schedule ADS-S-3.

1 No. Given that the Company does not plan to seek a rate increase for this service
2 area until 2023 for new rates to become effective in 2024, the estimated 20%
3 increase should be viewed as a 5% annual increase which includes significant and
4 necessary capital investments in the system. Furthermore, as I stated earlier, if the
5 Commission approves Liberty Water’s request, Bolivar water and wastewater
6 customers located outside of the city limits will see an immediate decrease in their
7 monthly bills.⁸

8 Workpapers were supplied to Staff in the CCN case to support Ms. Schwartz’s testimony.

9 **Q. What do the workpapers from the CCN case show in relation to Bolivar’s water**
10 **system?**

11 A. Workpapers show that Liberty projected to expend \$1,122,575 in capex for Bolivar’s water
12 system within the first three years of ownership. Operating expenses for year 3 were
13 projected at \$1,449,973⁹. According to Liberty’s response to Staff DR 2 in the CCN case,
14 projected capital improvements were “[b]ased on its review and experience owning and
15 operating water and wastewater systems.”¹⁰

16 **Q. Did a Liberty witness provide testimony on Liberty’s planned capital investments in**
17 **the Bolivar water system?**

18 A. Yes. Direct testimony of Liberty witness Michael D. Beatty, in WA-2020-0397 states
19 “Specifically, Liberty Missouri Water has estimated over \$1.1 million of capital investments
20 to be made in the water system within the first 3 years of ownership, including replacements
21 of water mains, meters, and service lines, as well as vehicles and equipment. The Company
22 also plans to upgrade the chlorine system, the software for the automated meter reading
23 (“AMR”) devices and certain facilities. In addition, Liberty Missouri Water’s feasibility
24 study outlines over \$5.4 million in capital improvements to the wastewater system”¹¹

⁸ Direct Testimony of Jill Schwartz, File, No. WA-2020-0397, page 9.

⁹ Schedule ADS-S-4.

¹⁰ Liberty response to Staff DR 2; File No. WA-2020-0397. Also attached within Schedule ADS-S-3.

¹¹ Direct Testimony of Michael D. Beatty; File No. WA-2020-0397, Page 7.

1 **Q. Does Mr. Beatty offer additional testimony in the CCN case regarding impending rate**
2 **increases that include the planned investment for both Bolivar water and wastewater**
3 **systems?**

4 A. Yes. Direct testimony of Michael D. Beatty, in WA-2020-0397 states “the Company¹² has
5 communicated its commitment to the City¹³ and its customers to make the necessary
6 investments in the systems, while not seeking to increase the current water and wastewater
7 rates until 2023 for rates to become effective in 2024, at which time customers will still not
8 experience significant “rate shock” with rates based on the appraised value of \$20 million
9 and approximately \$6.5 million of capital investments in the system.”¹⁴

10 **Q. In comparison to the CCN case, what amount of capital improvements are allocated**
11 **to the Bolivar water system in this case?**

12 A. The CCN case Stipulation and Agreement established plant in service at \$8,528,604 with a
13 depreciation reserve of \$2,961,612. Currently, Bolivar’s water system rebuttal accounting
14 schedule shows \$13,546,529 of plant in service and \$6,040,324 in depreciation reserve.
15 Bolivar water’s current plant in service totals in this case increased from the CCN plant in
16 service totals by \$5,017,925, which exceeds Liberty’s projected capex of \$1,122,575 in the
17 CCN case by \$3,895,350.

18 **Q. In comparison to the CCN case, what amount of operating expenses are allocated to**
19 **the Bolivar water system in this case?**

20 A. Currently, Bolivar’s water system accounting schedule shows \$2,904,350 in operating
21 expenses for this case. Liberty originally submitted \$1,907,267. Staff increased the water
22 system’s operating expenses by \$997,083.

¹² Liberty

¹³ The City of Bolivar

¹⁴ Direct Testimony of Michael D. Beatty; File No. WA-2020-0397, Page 9.

1 **Q. Are those amounts higher than the \$1,449,973 projected in the CCN case for year 3 of**
2 **Liberty's operating Bolivar's water system?**

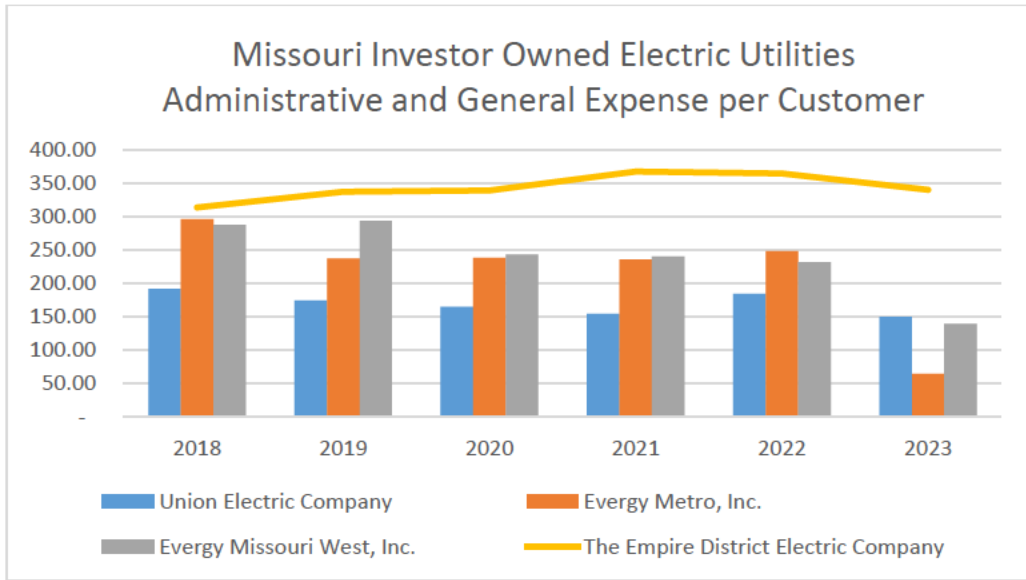
3 A. Yes. The operating expenses in Liberty's filed case exceed the CCN projected amount by
4 \$457,294 or 31.54%. Staff's updates to the Bolivar water system's operating expenses
5 exceed the CCN projected amount by \$1,454,377 or 100.30%. Both amounts exceed the
6 10% inflation between 2021 and 2023 according to the consumer price index.

7 **Q. Do the considerable differences between Bolivar water operating expenses in the CCN**
8 **case in comparison to its operating expenses allocated in this case come as a surprise?**

9 A. In part. Administrative and general (A&G) expenses per customer of Liberty's operating
10 companies generally exceed A&G expenses of peers. For example, Empire District Electric
11 Company, a Liberty operating company, consistently exceeds A&G expenses per customer
12 in comparison with its investor-owned electric companies within Missouri, as shown in
13 Table 1 below:

1

Table 1:



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While Empire’s peers appear to achieve A&G efficiencies, A&G costs per Empire customer remains high. In comparison to other Missouri investor-owned water utilities, Missouri American Water Company (MAWC) was charged \$72 per customer for customer/A&G services by its service company in 2023 while Liberty Water’s 2023 cost per customer was \$201.77, a difference of \$129.77 per customer between the two utilities. Furthermore, Liberty Water test year A&G costs per customer increased to \$249.54.¹⁶

9

10

Q. Is there another reason why Bolivar’s water system is assigned a high amount of allocated corporate A&G costs?

11

12

13

14

A. Yes. The Bolivar water and sewer systems are two of the largest systems operated by Liberty Water, as shown in Schedule ADS-S-5, and are therefore allocated a higher amount of corporate shared costs. The Bolivar water system’s share of corporate costs allocated between Liberty Water’s water and sewer systems is 20.86% while its sewer system’s

¹⁵ Data from FERC financial reporting.

¹⁶ Direct Testimony workpapers of Bolivar witness Leyko.

1 allocation is 15.99% for 2023 shared costs. These percentages are even higher in water and
2 sewer only categories.

3 **Q. Several of your previous Q&A's present representations Liberty made to both Bolivar**
4 **residents and Staff prior to the Bolivar vote and during the CCN case. How does this**
5 **tie to Ms. Wilson's rebuttal testimony?**

6 A. Ms. Wilson's rebuttal testimony asks and answers the following:

7 **Witness York stated that one reason Liberty should not be allowed to earn a**
8 **return on rate base added since the acquisition is that Liberty had indicated the**
9 **rate increase would be significantly lower if Liberty acquired the system. Did**
10 **Liberty promise that the increase would be lower than the increase currently**
11 **being requested for Bolivar customers?**

12 No, as no specific rate representations were made, other than a promise to not seek
13 a rate increase until 2024. Additionally, the pre-vote discussion focused on the sewer
14 system and possible, projected rate increases for sewer. The city and Liberty did
15 project that rate increases would be less under Liberty than under the city, but that
16 projection was focused on sewer (not water), did not include Liberty's recovery of
17 the \$23.5M paid to the city for the assets, and did not include the costs that vary
18 between a regulated utility and a municipal provider. In addition, that estimate was
19 given prior to the high inflation that has been experienced over the past four years
20 and the shortage of labor and materials. It should be noted that Liberty is requesting
21 a decrease in sewer rates for Bolivar customers at this time and that the city was able
22 to use the full purchase price of \$23.5M as it saw fit, while Liberty is requesting to
23 recover, over time, approximately \$5M less.

24 Ms. Wilson's statements do not match with the representations made to Bolivar residents in
25 order to persuade the voters into transferring ownership of the City's water and sewer
26 systems to Liberty. According to tariffs filed in the CCN case, Bolivar water minimum
27 residential monthly customer charge was \$18.07 for the first 2,000 gallons with a
28 commodity charge of \$3.72 for each additional 1,000 gallons. Bolivar sewer minimum
29 residential monthly customer charge was \$33.22 for the first 2,000 gallons with a
30 commodity charge of \$5.32 for each additional 1,000 gallons. Moreover, as shown in Figure
31 2 above, Liberty represented to residents that "[w]hen Liberty does ask for a rate increase,
32 we believe the monthly increase will be in a range of \$8.22-\$9.52 per month for base users,

1 or approximately 19%.” This is a general statement that does not specifically reference the
2 wastewater system. Bolivar residents were under the impression their water system was in
3 good shape and did not require much investment, which coincides with statements Liberty
4 made to Staff in the CCN case. Materials distributed to Bolivar residents referred to both
5 systems together. Additionally, actual costs assigned to the Bolivar water system alone
6 exceed inflation rates according to the consumer price index and Liberty Utilities A&G
7 costs as a whole tend to greatly exceed those of peer utilities. Bolivar residents made a
8 decision that affects livelihoods and the ability to afford a basic human necessity. Their
9 votes swayed, based on Liberty estimates that “did not include the costs that vary between
10 a regulated utility and municipal provider”, which Liberty should have considered to devise
11 realistic representations. Now, as Bolivar residents cope with repercussions of Liberty’s
12 ownership of their water and wastewater systems, one mother has resorted to taking her
13 children to her mother’s house in an effort to save water because her monthly water bill has
14 increased approximately \$50 under Liberty, several retirees on fixed incomes who will have
15 to choose between paying their water bill or purchasing food and/or medicine¹⁷, as a
16 continual veil of mistrust for Liberty Utilities pervades throughout a town that already pays
17 some of the highest electric rates in the State, with residents bearing deep betrayal as the
18 outcome of the vote is not at all what they voted for¹⁸.

19 **Q. What is one corporate allocated capital cost that could be included in the “costs that**
20 **vary between a regulated utility and municipal provider”?**

21 A. A corporately allocated capital project that does not appear to be included in Liberty’s
22 representations to Bolivar residents prior to the vote, nor to Staff in the CCN case, is
23 Customer First. Customer First is an upgrade to Liberty’s software systems, allocated
24 across all of its operating utilities, with much of the system being cloud based.

¹⁷ Transcripts, page 58 line 16 through page 62 line 10.

¹⁸ Transcripts, page 42 line 7 through page 45 line 9.

1 **Q. Is Customer First an expense of which Liberty would have been aware when devising**
2 **estimates for Bolivar water and wastewater systems prior to the vote?**

3 A. I believe so. According to a report prepared by Charles River and Associates on May 14,
4 2021, for Liberty affiliate Calpeco, “Liberty began evaluating and reviewing its existing
5 systems and processes across multiple business objective areas in 2017”¹⁹. Customers First
6 allocations assigned to Calpeco in this report were based on Liberty’s 2020 cost allocations.
7 Therefore, Liberty was aware of potential Customer First costs that would affect Bolivar
8 residents’ rates should they vote to transfer ownership of the water and wastewater systems
9 to Liberty. These costs could have been estimated by using Liberty’s cost allocation
10 methodology to include Bolivar systems and used to provide a more accurate rate estimate
11 to Bolivar residents.

12 **Q. What is the Customer First capital allocation for Bolivar water and sewer systems,**
13 **respectively?**

14 A. According to Company direct workpapers, of the approximate \$5 million Customer First
15 allocation to Liberty Water, \$1,053,422 was allocated to Bolivar Water and \$807,652
16 allocated to Bolivar Sewer. As of direct filing, 37% of Liberty Water’s Customer First was
17 allocated to the Bolivar systems. As of rebuttal, with Staff’s adjustments, this allocation
18 has climbed higher.

¹⁹ Charles River and Associates Report, page 6. Also attached as ADS-S-6.

1 **Q. Even though Liberty’s projected rate increases provided to Bolivar citizens “did not**
2 **include Liberty’s recovery of the \$23.5 million”, and despite representations Liberty**
3 **made to Bolivar and Staff about the Bolivar water system being in relatively good**
4 **shape, does the Company continue to plan on pouring capital investment dollars into**
5 **Bolivar’s water system?**

6 A. From the information I have seen filed in this case, yes. Already actual capital
7 improvements designated to the water system exceed projected improvements provided in
8 the CCN case by approximately \$4 million, for a system believed compliant and in relatively
9 good shape. In contrast, Bolivar sewer violated several environmental regulations and the
10 Company’s short-term projections for sewer remediation were estimated at approximately
11 ****__ **** million.²⁰ In fact, Liberty’s capital asset management plan shows that \$1,847,000
12 was allocated to Bolivar water in 2023 alone, \$563,536 of which is meter upgrades – even
13 though meter upgrades were projected at \$44,000 per year in the CCN case, to support an
14 estimated future rate increase that correlated with estimates presented to Bolivar residents.
15 Bolivar water is looking at approximately ****_____**** in capital investment between
16 2024 through 2028. While Bolivar sewer is looking at approximately ****_____****
17 between 2024 through 2028.²¹ Think about that – a sewer system that once violated several
18 environmental regulations is budgeted for only ****_____**** more in capital investment
19 than a regulatory compliant water system in good shape. At this rate, the amount Bolivar
20 residents will be required to pay in a return-on-investment to Liberty’s shareholders, in
21 addition to depreciation expense, will make the system even more unaffordable.

22 **Q. What additional recommended capital investments potentially exist for Bolivar sewer?**

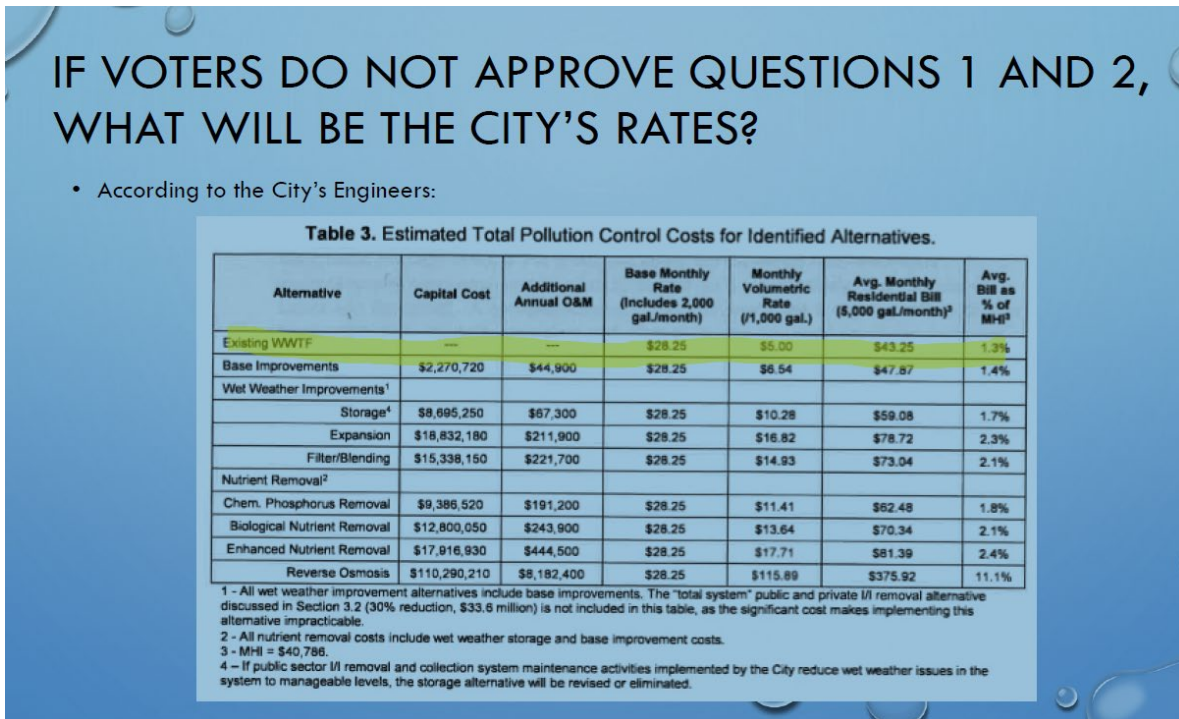
23 A. A recent report by Burns and MacDonnell indicates Bolivar customers could see Bolivar
24 sewer’s capital investment increase up to ****_____**** for long-term upgrades

²⁰ Exhibit D of the CCN application; also attached as ADS-S-7.

²¹ Page 23 of Liberty’s 2023 Asset Management and Capital Improvement Plan. See also Schedule ADS-S-8 and Schedule ADS-S-9.

constructed over approximately ten years.²² In contrast, Bolivar’s engineers gave the following estimates, as shown in Figure 3, for potential sewer investments and subsequent rates should Bolivar voters not approve Liberty’s ownership of the City’s water and sewer systems.

Figure 3:



Q. In the Bolivar CCN case, Ms. Schwartz posed the following question “Is the grant of Liberty Water’s application, including its requested rate base determination, in the public interest?” What is her response?

A. Ms. Schwartz opined that granting Liberty Water’s application was in the public interest:

Absolutely. As Mr. Beatty laid out in his Direct Testimony, and Staff stated in its recommendation to the Commission, Liberty Missouri Water has the technical, managerial and financial capabilities to own and operate the water and wastewater systems in Bolivar. In addition, the parties agree that there is a current and future

²² Direct Testimony of Andrew Harris, File No. WR-2024-0104, page 5 line 15 through page 6 line 2.

1 need for water and wastewater service. Liberty Missouri Water has also successfully
2 demonstrated its ability to own and operate water and wastewater utility systems in
3 Missouri since 2005. Further, the Company has detailed its plans to make significant
4 capital investments in the wastewater system necessary to address the issues and
5 concerns raised by the Missouri Department of Natural Resources and
6 Environmental Protection Agency.²³

7 **Q. Based on testimony at Bolivar local public hearings, would Bolivar customers agree**
8 **with that assessment?**

9 A. Testimony provided at Bolivar local public hearings broached a variety of topics, from
10 misleading communication provided to Bolivar residents before the vote:

11 “It was established by one of the City staff that it was going to cost the City \$9.3
12 million to upgrade the sewer system alone in order to meet EPA challenges. And at
13 that same time Liberty told the public that if they owned and managed the utilities
14 their rates would increase only in the range of \$8.22 to \$9.52, or a 19 percent increase
15 over the same 18 years that the City was projecting a 38 percent increase. So half
16 of the rate of increase. They had also established that upgrading the sewer system
17 alone was going to cost about \$6 million because of their company culture and
18 contacts and they could get things done a little less expensive. So overall I think
19 Liberty Utilities did their due diligence to sustain the needs that were going to need
20 to be met with the Bolivar infrastructure. I feel like the conversations with the City
21 of Bolivar and with Liberty Utilities to the voters prior to the vote were misleading
22 and because of that the vote was favorable at 62 percent.”²⁴

23 “There's a general sense of mistrust in this room when it comes to Liberty Utilities.
24 If you go around town, go to Wal-Mart, stop anybody, someone's going to have an
25 issue with how Liberty has conducted themselves in regards to their personal utilities
26 account. You know, I've had billing issues as well. I've been lucky enough to not
27 have the more erratic cases that you've heard tonight but I have had my fair share,
28 you know, as well as with the estimate discrepancies and things like that. Part of the
29 mistrust in this room I think comes from when the referendum came in 2020,
30 something like that, 2019, 2020.”²⁵ “Overall I just think the citizens of Bolivar were
31 misled at the referendum. I didn't vote for it because I was concerned about

²³ Direct Testimony of Jill Schwartz, File, No. WA-2020-0397, page 9

²⁴ Transcript of Proceedings Volume V, September 19, 2024, page 17 Lines 10 through page 18 lines 4.

²⁵ Transcript of Proceedings Volume V, September 19, 2024, page 42 lines 15 through page 43 line 2.

1 something like this happening, I didn't and I'm sorry to see that it's come to
2 fruition.”²⁶

3 “And a second thing I'd like to mention is what was brought out earlier about the
4 articles that was in our city paper, biweekly paper. And the City official that gave
5 some of the figures to my wife and I we voted to change based on that -- what was
6 given in our paper because it made it sound like more appealing, that it would be
7 better to change to Liberty. And so that's why we voted for it only to find out with
8 300 plus percent that it's going to have a drastic affect upon us. And we have made
9 some internal reduction on water usage, bathing and that, because of conserving --
10 trying to reduce what we pay out 'cause we, like many seniors, do have to watch our
11 payouts.”²⁷

12 To customers expressing frustration with billing and communication issues, with a sample
13 of customer frustrations provided below:

14 “I am going to not be as loud as I was in the previous meeting but I would just tell
15 you some thoughts. Again, you were asking -- I bring up billing to you because one
16 of the frustrating parts since Liberty has moved in has been just poor
17 communication, a lack of getting things done when they say they're going to get
18 them done.”²⁸

19 “Liberty has failed in the billing area obviously and they've obviously failed in the
20 customer relations area as well. This is a small town, quote, unquote, several people
21 have commented how they love it. One reason, because you get treated personally.
22 The treatment with Liberty is not personal. The young lady in the office is kind and
23 does her best but her hands are tied and what she can do is extremely limited. But
24 Liberty has failed at relating to customers and if the -- it seems to me any other
25 business that increases costs, that business, the people that run it, they're asking
26 themselves how's this going to come across to the customer, how's this going to be
27 received. It appears to me that that question never crosses anyone's mind with
28 Liberty management, those making the decisions. That is sad. People in Bolivar
29 aren't used to being treated like that. That's one reason you have this resentment and
30 all of the complaints.”²⁹

²⁶ Transcript of Proceedings Volume V, September 19, 2024, page 45 line 5 through 9.

²⁷ Transcript of Proceedings Volume V, September 19, 2024, page 46 lines 14 through page 47 line 2.

²⁸ Transcript of Proceedings Volume V, September 19, 2024, page 28 lines 9 through 15.

²⁹ Transcript of Proceedings Volume V, September 19, 2024, page 40 lines 12 through page 41 line 6.

1 As well as customers expressing concern over the economic impact of the Bolivar rate
2 increase proposed in this case for both the vulnerable population and the City's ability to
3 grow economic development. One such comment is as follows:

4 "I come from a social work background so I kind of have that mentality and live in
5 Bolivar and have for about 20 years. But my biggest concern about the water rate
6 increase is, you know, we -- like Dusty said, we have about double the poverty rate
7 of the national level in this town. I looked up some statistics. About 56 percent of
8 us own our homes and 44 percent of us are renters. I know a lot of the rent houses
9 in town are old, they've been here a long time, they're not energy efficient. We have
10 a significant amount of working poor in our community. And just from talking to
11 people, from reading comments that I see on Facebook these rates are killing us. I'm
12 talking about not only electric but water. And going to 300 percent, that seems
13 unethical to me for our community. It makes me sad, it makes me want to cry right
14 now thinking about how it's hurting our families. It will be hurting our families in
15 our community, families that are already hurting from inflation, from high groceries,
16 from high gas costs, all the other things that have gone up. And I'm just begging
17 you guys to think about those people when you make this decision about the rate
18 increase on water. Think about if you lived in our community and you had -- the
19 only option you had was working at Wal-Mart, you know. Just please consider that
20 over a multi-billion company or million or whatever he said they're valued at and try
21 to go easy on our community. Because I'm afraid Bolivar's going to turn into a ghost
22 town with the property rate increases, with businesses moving out. Real estate
23 agencies, like he said, are already listing, oh, this isn't on Liberty, this is on
24 Southwest. So that's a really sad thing for our community. So that's just all the things
25 that have been jumbling around in my head. And I know there's a lot of people that
26 couldn't come tonight and a lot of people just, you know, they don't think they have
27 any power so it's not worth coming. But I'm speaking for those people, okay."³⁰

28 These comments from Bolivar water and wastewater ratepayers expressing concern from
29 consequences to the town since the transition of ownership to Liberty seem contrary to Ms.
30 Schwartz's notion of public interest.

³⁰ Transcript of Proceedings Volume V, September 19, 2024, 67 line 6 through page 68 line 22.

1 **Q. Would you like to address any additional customer comments provided in this case?**

2 A. Yes. In my rebuttal testimony I provided a list of current comments submitted in EFIS
3 related to this case. Since that time, customers have filed several more comments relating
4 to customer service and billing issues. Examples are included below:

5 **P202500834** - As a single mother trying to make ends meet, I am asking the
6 company to reconsider this increase as it would place a hardship on myself along
7 with many others in my community during a time that is already financially
8 challenging. Since Liberty Utilities took over management of our water system,
9 we've had multiple issues: water shut-offs, pipes bursting and more. We've had to
10 endure countless boil water orders and had to fight for Liberty to even notify us that
11 there was even a boil water order. I personally experienced a busted water main
12 above my property that I called in and July 16th. It took them over a week to come
13 out and repair. In the meantime, it flooded my yard and made a huge mess. We've
14 been through enough and should not be forced to bear the burden and cost by the
15 incompetence of others.

16 **P202500841** - Dear Commissioner John Mitchell, I remember you from the City of
17 Branson/Liberty Utilities meeting Wednesday 25Sep2024, and you mentioned that
18 we could contact you about questions we may have about Liberty. Home owner
19 residents in the Holiday Hills development have not only had to deal with several
20 main water leaks/water boils (with very limited communication about it) but the
21 billing admittedly by Liberty President himself is an absolute disaster! I went to the
22 billing office on Main Street today because it takes less time to drive there than to
23 get a real person on the line to talk to. Which actually makes complete sense because
24 when I spoke with the CSR in the office she didn't know what the status of our
25 September bill was either?! And she offered up, apparently to make me feel better
26 about it, that some customers haven't been billed since MAY!! That's right. 6
27 months!!! So, call me naive but why is Liberty increasing our water bill 128% when
28 they have not billed their customers for 6 months?! This is ridiculous and unfair, not
29 to mention this doesn't even sound legal. How can a Utility CIS billing system be
30 this bad?

31 **Q. What do you recommend?**

32 A. Bolivar residents voted to transfer ownership of its water and wastewater systems based on
33 future rate increase estimates Liberty provided prior to the vote. Based on the rate increase
34 estimates Liberty provided, and the promise of reasonable rates due to corporate
35 efficiencies, Bolivar residents within the city limits approved the transfer with 62% in favor

1 and 38% opposed. Residents receiving water and wastewater services outside the city limits
2 did not get to vote, and therefore did not have a choice. Now, Bolivar residents have voiced
3 their concerns about the sale, ranging from unaffordability to abysmal customer service –
4 issues they did not experience when the water and wastewater systems were operated by the
5 City of Bolivar. Since Bolivar residents voted based on the information Liberty provided,
6 I recommend capping Bolivar water’s rate increase to 20%, as supported by Ms. Schwartz’s
7 direct testimony in the CCN case. Any resulting shortfall associated with the 20% rate cap
8 should be attributed to shareholders, not distributed among the remaining districts.
9 Additionally, I reiterate my recommendation to disallow a return on the Customer First
10 investment until such a time Liberty’s customer service improves.

11 **Q. Is there a precedent for capping a rate increase for a single district within a rate case?**

12 A. Yes. In a MAWC rate case, File No. WR-2015-0301, MAWC assured the City of Arnold,
13 during the acquisition, to cap sewer rate increases by a specific dollar amount. During the
14 WR-2015-0301 evidentiary hearing, Staff recommended the resulting shortfall resulting
15 from MAWC rate cap pledge be attributed to MAWC’s shareholders rather than distributed
16 amongst MAWC remaining service districts, as stated by Staff witness Jim Busch in an
17 excerpt of the hearing transcripts below:

18 19 So I -- I believe that with Arnold, if
19 20 they want to cap that price, then anything above that
20 21 price should be, I guess, eaten by the shareholders.³¹

21 In its Report and Order, the Commission agreed with Staff that shareholders shall be
22 responsible for Arnold’s excess costs beyond the promised rate:

23 The Commission will direct that the existing sewer districts be consolidated into two
24 districts as proposed by Missouri-American. That will leave Arnold in its own sewer
25 district, responsible for its own share of costs. If Arnold’s rates need to rise above

³¹ PSC WR-2015-0301- Volume 16; Evidentiary Hearing Transcript of Proceedings, March 22, 2016, page 447.

1 \$33.58 per month, the promised rate, to cover its share of costs, Missouri-
2 American’s shareholders shall be responsible for those extra costs.³²

3 **Q. Why should customers affected by the Liberty acquisition of the Bolivar systems**
4 **receive similar relief as Arnold customers after the MAWC acquisition?**

5 A. MAWC made a promise to Arnold ratepayers that rates would not rise above a certain level
6 over a specified time frame. Liberty circulated several materials and persuasive messaging,
7 prior to the vote deciding ownership of both Bolivar water and wastewater systems, stating
8 that Bolivar’s rates should be less under Liberty than the City of Bolivar based on “Liberty
9 Utilities’ experience, efficiency, and existing services in the area”. Furthermore, Liberty
10 stated “[w]hen Liberty does ask for a rate increase, we believe the monthly increase will be
11 in a range of \$8.22-\$9.52 per month for base users, or approximately 19%.” Bolivar
12 residents feel betrayed by Liberty’s misleading public messaging and may not have voted
13 in favor of Liberty’s acquisition of its systems if more reliable messaging regarding water
14 system investment and future rate increases were disseminated.

15 **Q. Does this conclude your testimony?**

16 A. Yes.

³² Report and Order; File No. WR-2015-0301, page 29.

**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 Authority)
to Implement a General Rate Increase for Water) Case No. WR-2024-0104
and Wastewater Service Provided in its Missouri)
Service Areas)

AFFIDAVIT OF ANGELA SCHABEN

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

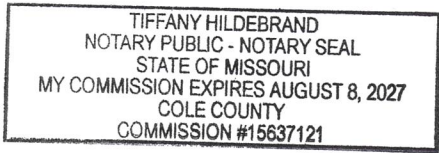
Angela Schaben, of lawful age and being first duly sworn, deposes and states:

1. My name is Angela Schaben. I am a Utility Regulatory Auditor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



Angela Schaben
Utility Regulatory Auditor

Subscribed and sworn to me this 23rd day of October 2024.



My Commission expires August 8, 2027.



Tiffany Hildebrand
Notary Public