

Exhibit No.: \_\_\_\_\_  
Issues: Revenue Requirement, Data  
Concerns, Tariff Books  
Witness: Cindy S. Wilson  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Liberty Utilities  
(Missouri Water) LLC d/b/a Liberty  
Case No.: WR-2024-0104  
Date Testimony Prepared: October 2024

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

**Surrebuttal Testimony**

**of**

**Cindy S. Wilson**

**on behalf of**

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

**October 24, 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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SURREBUTTAL TESTIMONY OF CINDY S. WILSON  
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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 Cindy S. Wilson. My business address is 602 South Joplin Avenue, Joplin,  
4 Missouri.

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

8 A. Yes.

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

11 A. I address certain rebuttal testimony statements made by Commission Staff (“Staff”)  
12 witnesses Melanie Marek, Michael Irwin, Jarrod Robertson, Angela Niemeier and  
13 Courtney Horton; and Office of the Public Counsel (“OPC”) witnesses Angela Schaben  
14 and John Robinett. In addition, I highlight the differences between the Company’s  
15 surrebuttal position and Staff’s rebuttal positions.

16 **II. LIBERTY’S REVISED SURREBUTTAL REVENUE REQUIREMENT**

17 **Q. What revised revenue requirement does the Company present via its surrebuttal**  
18 **testimony?**

19 A. The Company proposes an overall revenue requirement of \$17,681,426, which is an  
20 \$8,352,589 increase in the annual revenue requirement compared to its currently

1 effective general base rates. Please refer to my Surrebuttal Schedule CSW-1 for a  
2 summary of the Company's consolidated surrebuttal revenue requirement calculation.

3 **Q. How did the Company arrive at this position?**

4 A. The Company arrived at its surrebuttal position by taking its position as presented in  
5 my rebuttal testimony and revising or removing certain adjustments. These adjustments  
6 are addressed in further detail later in my testimony.

7 **Q. What continues to be the primary differences between Staff's and the Company's**  
8 **rebuttal positions?**

9 A. The difference between the Company's surrebuttal position and Staff's rebuttal  
10 position is primarily attributable to differences in Rate Base, Administrative and  
11 General expenses, and Depreciation expense. Please refer to Figure-1 below for a more  
12 detailed view of the differences.

1

**Figure – 1**

<b>Expense Category</b>	<b>Staff Rebuttal Testimony WR-2024-0104</b>	<b>Company Surrebuttal Testimony WR-2024-0104</b>	<b>Difference Between Company Rebuttal and Staff Direct</b>
<b>Rate Base:</b>	<b>46,988,443</b>	<b>52,475,840</b>	<b>5,487,397</b>
Cash Working Capital	(277,605)	284,168	561,773
Contributions in Aid of Construction	(672,016)	(628,712)	43,304
Accumulated Deferred Income Taxes	727	(727)	(1,454)
Regulatory Liability (2017 Tax Act)	39,104	(39,104)	(78,208)
Net Plant in Service	48,013,457	47,983,976	(29,481)
Prepaid Pension Asset	-	99,386	99,386
Deferred Tank Painting	-	230,128	230,128
Property Tax Tracker	-	680,564	680,564
Bolivar Water Regulatory Asset	-	1,612,758	1,612,758
Bolivar Sewer Regulatory Asset	-	2,368,627	2,368,627
<b>Total Rate Base Difference</b>			<b>5,487,397</b>
<b>Revenues:</b>	<b>8,395,115</b>	<b>9,328,837</b>	<b>933,722</b>
Water & Wastewater Revenue	8,178,367	9,027,077	848,710
Other Operating Revenues	216,748	301,761	85,013
<b>Total Revenue Difference</b>			<b>933,722</b>
<b>Expenses:</b>	<b>11,968,774</b>	<b>12,805,087</b>	<b>836,313</b>
Source of Supply Expense - Water	827,136	829,269	2,133
Pumping Expense - Water	886,353	886,357	4
Water Treatment Expenses - Water	515,007	524,568	9,561
Transmission and Distribution Expenses - Water	756,148	777,222	21,074
Customer Account Expenses - Water	199,665	201,686	2,021
Administrative and General Expenses	4,146,833	4,624,200	477,367
Collection Expenses - Sewer	73,872	74,754	882
Pumping Expense - Sewer	43,074	43,076	2
Treatment and Disposal Expense - Sewer	133,144	133,142	(2)
Depreciation Expense	3,276,890	3,753,202	476,312
Amortization Expense	161,276	-	(161,276)
Taxes other than Income Taxes	935,555	943,798	8,243
Interest on Customer Deposits	13,821	13,813	(8)
<b>Total Expense Difference</b>			<b>836,313</b>

2

1 **III. COMPONENTS OF THE REVENUE REQUIREMENT**

2 **A. Rate Base**

3 **Q. Are there rate base adjustments since the Company's rebuttal position that have**  
4 **been updated to incorporate changes to the Company's revenue requirement or**  
5 **align with the positions proposed by Staff?**

6 A. Yes. The Company updated a formula error within its RB ADJ 5 – Cash Working  
7 Capital workpaper to reflect the correct values for the Income Tax Offset. However,  
8 the Company continues to disagree with Staff's cash working capital requirement. For  
9 further discussion, please refer to the surrebuttal testimony of Timothy S. Lyons.  
10 Additionally, while the Company does not agree with Staff's reasoning or  
11 methodology, for purposes of resolution, the Company added RB ADJ 14 – Removal  
12 of Incentive Comp to remove the portion of capitalized incentive compensation  
13 included in Staff's ESPP and Incentive Compensation workpapers. This adjustment is  
14 described in greater detail later in my testimony.

15 **Q. Please describe the specific rate base adjustments/balances proposed by Staff that**  
16 **the Company continues to take issue with within your surrebuttal testimony.**

17 A. Table CSW-1 below outlines the various rate base topics proposed by Staff which I  
18 disagree. Staff has not provided any new support/arguments since their direct testimony  
19 related to these rate base topics. Therefore, please refer to my rebuttal testimony where  
20 I provide the specifics on why the Commission should reject Staff's recommendations  
21 of these items.

1

**Table CSW-1**

<b>Rate Base</b>	
<b>Sponsoring Party</b>	<b>Description</b>
Staff	Plant In Service
Staff	Accumulated Depreciation
Staff	Cash Working Capital
Staff	CIAC Normalization
Staff	Prepaid Pension Asset
Staff	Deferred Tank Painting
Staff	Property Tax Tracker
Staff	Regulatory Assets - Acquisition (Bolivar)

2

3 **B. Income Statement**

4 **Q. Are there income statement adjustments since the Company’s rebuttal position**  
5 **that have been revised or added to the Company’s surrebuttal revenue**  
6 **requirement?**

7 A. Yes. The Company revised the following adjustments for the reasons listed below:

- 8 • EXP ADJ 2 – Staff Expense Summary
  - 9 ○ The Company made an adjustment to incorporate Staff’s position on many
  - 10 disputed items in rebuttal testimony. In doing so, the Company
  - 11 inadvertently did not include Staff’s entire adjustment for chemical
  - 12 expense. Therefore, the Company has corrected this omission, and the
  - 13 appropriate amounts are now reflected in the Company’s surrebuttal cost of
  - 14 service.
- 15 • EXP ADJ 5 – Rate Case Expense

- 1           ○ The Company’s rate case expense adjustment was revised to reflect the  
2           actual cost of the customer notices and handouts provided at the local public  
3           hearings.
- 4           • EXP ADJ 6 – Insurance Expense Annualization
- 5           ○ The Company inadvertently included two adjustments for insurance  
6           expense in its rebuttal cost of service. The Company’s intent was to accept  
7           Staff’s position. Therefore, the Company’s surrebuttal cost of service has  
8           been updated to reflect only Staff’s adjustment for Insurance Expense.
- 9           • EXP ADJ 21 – Removal of Passthrough Expense
- 10          ○ In rebuttal, the Company proposed an adjustment to remove passthrough  
11          expenses associated with the Primacy Fee collected by the Company and  
12          remitted to the Department of Natural Resources. However, it was  
13          determined that the relevant accounts where the Primacy Fee is recorded for  
14          accounting purposes are the same accounts being normalized in the  
15          Company’s payroll adjustment. Therefore, the payroll adjustment is  
16          essentially removing the Primacy Fee expenses since the Company’s  
17          proforma balances for these accounts are intended to only reflect annualized  
18          payroll related costs. As such, this adjustment is not appropriate, and it has  
19          been removed from the Company’s surrebuttal cost of service.
- 20          • EXP ADJ 22 – Removal of Incentive Comp
- 21          ○ While the Company does not agree with Staff’s reasoning or methodology,  
22          for purposes of reducing issues in this case, the Company has incorporated  
23          Staff’s removal of Incentive Compensation into its surrebuttal cost of  
24          service calculation.



1 **Q. Please specify the income statement adjustments proposed by various parties that**  
 2 **the Company does not support.**

3 A. Table CSW-2 below outlines the various income statement topics proposed by various  
 4 parties which I disagree. Parties have not provided any new support/arguments since  
 5 their direct testimony related to these topics. Therefore, please refer to my rebuttal  
 6 testimony where I provide the specifics on why the Commission should reject these  
 7 recommendations.

**Table CSW-2**

<b>Income Statement</b>	
<b>Sponsoring Party</b>	<b>Description</b>
Staff	Revenue Adjustment
Staff	Other Operating Revenue Adjustment
Staff	Customer First Expense
Staff	Payroll Expense
Staff	Payroll Taxes
Staff	Employee Benefits
City of Bolivar	Labor Expense
City of Bolivar	Incentive Compensation
Staff	Travel and Training
Staff	Rate Case Expense
City of Bolivar	Rate Case Expense
OPC	Rate Case Expense
Staff	Property Taxes Expense
City of Bolivar	Property Tax Tracker
City of Bolivar	Acquisition Reg Asset Amortization
Staff	Depreciation Expense
HICV	Depreciation Expense
Staff	Income Taxes

1 **Q. Has the Company’s position changed with respect to Staff’s proposed revenue**  
2 **adjustment?**

3 A. The Company continues to disagree with the amount of revenue included in Staff’s  
4 rebuttal revenue requirement. However, the Company and Staff agree that Staff’s cost  
5 of service should reflect additional revenues for various rate tariff areas, with the most  
6 prominent being the City of Bolivar. The Company is of the understanding that these  
7 additional revenues will be reflected in Staff’s Surrebuttal Revenue Requirement.

8 **Q. In her rebuttal testimony, did Staff witness Horton recommend a change from**  
9 **Staff’s position in direct testimony regarding Long-Term Incentive Plan**  
10 **(“LTIP”), Short-Term Incentive Plan (“STIP”) and Shared Bonus Plan (“SBP”)?**

11 A. Yes. She stated that while Staff allowed LTIP and disallowed STIP and SBP in direct,  
12 Staff’s current position is to “disallow all of the LTIP since it is primarily tied to  
13 financial and growth objectives and disallow a portion of the STIP and SBP that is  
14 associated with growth objectives that do not directly benefit ratepayers.”<sup>1</sup>

15 **Q. Do you agree with Staff’s approach?**

16 A. No, the Company does not agree with Staff’s reasoning. However, for purposes of  
17 reducing issues in this case only, the Company is accepting Staff’s position with certain  
18 modifications to address a minor calculation error in Staff’s rebuttal cost of service.

19 **Q. If the Commission were to agree with Staff’s incentive compensation**  
20 **disallowance, what revision is needed to Staff’s adjustment amount?**

21 A. The Company believes that Staff has incorrectly included in their expense adjustment  
22 the amount associated with the capitalized portion of incentive compensation. Because  
23 Staff has made adjustments to initially remove all of the Company’s incentive

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<sup>1</sup> Horton Rebuttal, page 2.

1 compensation from the test year within their payroll adjustment it is necessary for Staff  
2 to add back incentive compensation that they believe should be recovered from  
3 customers. The amount of non-financial incentive compensation is \$43,641 however  
4 Staff has only added back \$38,196. Therefore, Staff's adjustment for incentive  
5 compensation recovery should be increased by \$5,444.

6 **C. Depreciation**

7 **Q. Does the Company continue to support its proposed depreciation expense?**

8 A. Yes. The Company recommends that the Commission accept the depreciation rates  
9 proposed by the Company and utilized in the Company's cost of service. For further  
10 discussion, please refer to the direct, rebuttal, and surrebuttal testimony of Company  
11 witness Dane A. Watson.

12 **D. Return On Equity**

13 **Q. Has the Company revised its proposed Return on Equity (ROE) since it filed  
14 rebuttal testimony?**

15 A. No. The Company continues to propose a ROE of 10%. For further discussion on the  
16 appropriateness of this recommendation, please refer to the rebuttal and surrebuttal  
17 testimony of Company witness John Cochrane.

18 **IV. STAFF'S DATA CONCERNS**

19 **Q. Staff witness Marek alleges that "Liberty Water was charging customers based  
20 on classes and rates that do not appear in Liberty Water's tariff" and that  
21 "Liberty Water is charging rates for meter sizes which are not authorized in its  
22 tariffs." Marek Reb., p. 3. Do agree that these are issues that Liberty should  
23 address?**

24 A. Yes.

1 **Q. As to the first issue, “Staff recommends that the Commission order that Liberty**  
2 **Water convert any customers with rates that do not appear in tariffs, such as the**  
3 **‘Sprinkler’ customer in the Oakbrier service area, to a customer class and rate**  
4 **that appears in the Liberty Water’s tariffs.” Marek Reb., p. 3. What is Liberty’s**  
5 **position as to that recommendation?**

6 A. Liberty agrees with this recommendation. As previously noted by Staff, Liberty needs  
7 to review the data in its customer information system to ensure all customers are  
8 appropriately classified, which will resolve the issue. Liberty will perform an analysis  
9 to determine missing or inaccurate meter information and update it as needed. Liberty  
10 will complete this review no later than December 2025. In addition, the proposed  
11 consolidation of tariffs will also help ensure that all customer classes and rates are  
12 included in the tariff on a going-forward basis as the sheer number of tariffs (the  
13 Company currently has fifteen water tariff rate areas and five wastewater tariff rate  
14 areas) is affecting the complexity of the situation. Consolidation of rate districts will  
15 provide many benefits, not the least of which is the ease of administering tariffed rates  
16 to customers.

17 **Q. What is the meter size issue mentioned by Ms. Marek?**

18 A. Staff witness Niemeier indicates that “there were several instances where there was  
19 5/8-inch meter in tariffs, but 3/4-inch meter was placed in service, or vice versa.”  
20 Niemeier Reb., p. 4.

21 **Q. Does Liberty agree this is an issue? If so, what is the Company doing to address**  
22 **this meter size issue?**

23 A. With the filing of compliance tariff sheets in this case, Liberty will update its tariff to  
24 include both 5/8 inch and 3/4 inch meters, which will resolve this issue.

1 **Q. Staff witness Niemeier indicates that she does not believe that the Liberty Water**  
2 **revenue data is reliable (Niemeier Reb., p. 5). Do you believe that the data**  
3 **provided by Liberty is reliable for the purpose of setting rates in this case?**

4 A. Yes. It is true that Liberty has revised data during the course of this case. However,  
5 the result is that the revenue data now included in the Company's calculations provides  
6 a sufficient basis for both an analysis of current revenues and for setting future rates. A  
7 revenue proof was performed to confirm the amount calculated utilizing the billing  
8 determinants was materially accurate compared to the revenue booked by the  
9 Company.

10 **Q. Why was it necessary to make revisions to the revenue data after the filing of this**  
11 **case?**

12 A. Liberty has acquired a number of water systems. The data provided to Liberty by the  
13 former owners of these acquired systems varied in the amount of detail, which creates  
14 challenges in ensuring reporting is accurate. During the course of the rate case, data  
15 missing from acquisitions had to be incorporated, such as meter size in some instances.  
16 While meter size is critical in calculating revenue utilizing the billing determinants, it  
17 may not be required to bill a customer under the current tariffed rates if meter size was  
18 properly reflected in the rate charged to the customer. In addition to missing data, we  
19 also experienced data issues related to the reports generated from the legacy customer  
20 information system. One of the benefits of the Customer First implementation is to  
21 provide more consistent reporting and help eliminate some of the issues experienced in  
22 this case. The reports generated from Customer First are developed to provide  
23 consistent results compared to ad hoc reporting utilized previously.

24 **Q. Does Liberty believe that these circumstances will exist in the future?**

1 A. As stated above, the new reporting from the Customer First system will enable Liberty  
2 to provide consistent data. In addition, as explained above, Liberty will be reviewing  
3 and confirming that the correct customer meter size is appropriately recorded in the  
4 system.

5 **Q. Staff witness Marek recommends changes to Liberty’s miscellaneous charges in**  
6 **her rebuttal testimony on page 4 stating “...charges should be closer to actual cost**  
7 **of the service.” Does Liberty agree with the charges?**

8 A. Liberty agrees that the charges should be more closely aligned to the actual cost of the  
9 service. While the amounts proposed by Staff are not exact costs, Liberty is not  
10 opposed to accepting Staff’s recommended miscellaneous charges.

11 **Q. Staff calculated tank water revenue using a three-year average. Do you have any**  
12 **concern with this approach?**

13 A. No.

14 **Q. Staff witness Marek also states that the Class Cost of Service (“CCOS”) was**  
15 **unnecessary in this case due to issues identified in the data. Do you agree with**  
16 **Ms. Marek’s statement that a CCOS should not have been performed?**

17 A. No. Understanding how customers utilize fixed and variable costs is critical in ensuring  
18 proper rate design.

19 **Q. Were there errors in the data utilized by FTI Consulting to develop the CCOS as**  
20 **described by Staff witness Marek?**

21 A. There were data issues that were identified through the course of the rate case, however,  
22 none of these data issues resulted in material changes in the proposed rates.

23 **Q. In Staff witness Irwin’s rebuttal testimony, on page 2, he states that “Liberty**  
24 **Water’s CCOS and resulting rate design were inconsistent with data provided as**

1           **the result of responses to Staff DRs and Annual Reports provided by Liberty**  
2           **Water.” Do you agree?**

3    A.    As I stated above, Liberty acknowledges there were data issues, however Liberty  
4           worked diligently throughout the case to provide updated and accurate information, and  
5           the appropriate billing determinants were ultimately reflected in Mr. O’Neill’s  
6           calculations.

7    **V. CUSTOMER FIRST ACCOUNTING**

8    **Q.    OPC witness Schaben recommends that “the Commission disallow at least half of**  
9           **the cost of Customer First, with the caveat that if the Company is able to correct**  
10           **these issues before its next rate case, the Company can begin to recovery all of the**  
11           **investment at that time.” Schaben Reb., p. 12. Setting aside the inappropriateness**  
12           **of taking such an action, which is addressed in the surrebuttal testimony of**  
13           **Company witness Colin Penny, how would such an Order be handled from an**  
14           **accounting perspective?**

15   A.    If the Commission were to disallow a portion of the Customer First investment until a  
16           later date, the cost would need to be “hung up” on the balance sheet, possibly in a  
17           regulatory asset. The regulatory asset would remain on the books until such time as  
18           the Commission ultimately allowed it to be recovered.

19   **Q.    What would be the implications of such treatment for Liberty?**

20   A.    If the Commission were to disallow a portion of the Customer First investment, the  
21           Company would experience significant regulatory lag that would impact its ability to  
22           properly recover an asset that has been placed in service and is used and useful. Liberty  
23           would also be unable to earn a return on or recover legitimate costs associated with an  
24           asset that is being used today to serve our customers.

1 **Q. OPC witness Robinett stated in his rebuttal testimony, page 8, that he was**  
2 **“concerned that rate payers from the Empire District Electric Company Water**  
3 **customers may be paying for the same software twice with allocations of Customer**  
4 **First to Liberty Utilities Missouri Water.” Were water customers of The Empire**  
5 **District Electric Company (“Empire”) previously on PowerPlan before being**  
6 **consolidated with Missouri Water?**

7 A. Yes. Empire’s water customers were on the legacy version of PowerPlan and were  
8 converted to Great Plains when Empire’s water customers were transferred to Missouri  
9 Water.

10 **Q. When did the current rates become effective for the legacy Empire water**  
11 **customers?**

12 A. November 23, 2012.

13 **Q. What update period was used to determine those rates?**

14 A. The Commission Staff auditing unit conducted a full and complete audit of the  
15 Company’s books and records using the 12-month period ending March 31, 2012,  
16 updated to June 30, 2012.<sup>2</sup>

17 **Q. When was PowerPlan placed into service for the legacy Empire water customers?**

18 A. October 2012.

19 **Q. Do the rates of the legacy Empire water customers include the PowerPlan assets?**

20 A. No.

21 **Q. So, is the concern raised by Mr. Robinett that the legacy Empire water customers**  
22 **are paying twice for the use of PowerPlan legitimate?**

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<sup>2</sup> Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request, File WR-2012-0300.



1 A. No. His concern is not factual as the legacy Empire water customers are currently not  
2 and haven't paid for any assets associated with PowerPlan.

3 **VI. TARIFF CONSOLIDATION**

4 **Q. Staff witness Robertson believes that Liberty omitted the Aurora, Marionville and**  
5 **Verona systems from its consolidated water tariff book (Robertson Reb., p. 3). Do**  
6 **you agree with this observation?**

7 A. Yes. The existing tariff book does not contain maps or legal descriptions for the Aurora,  
8 Marionville and Verona systems. Thus, these were not available for the proposed tariff  
9 book for Liberty's rate case filing.

10 **Q. Will Liberty make a correction to address this matter?**

11 A. Yes. As suggested by Mr. Robertson, when it files its compliance tariff sheets, Liberty  
12 will identify these areas and work with Staff to address the service area maps and legal  
13 descriptions. Liberty also plans to correct the spacing error Mr. Robertson identifies  
14 on page 34 of the proposed consolidated sewer tariff.

15 **Q. Does this conclude your surrebuttal testimony at this time?**

16 A. Yes.

**VERIFICATION**

I, Cindy S. Wilson, under penalty of perjury, on this 24th day of October, 2024, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Cindy S. Wilson