

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

LIBERTY’S STATEMENT OF POSITIONS

COMES NOW Liberty Utilities (Missouri Water) LLC d/b/a Liberty (“Liberty” or the “Company”) and states the following to the Missouri Public Service Commission (“Commission”) for its Statement of Positions as to the issues described in the List of Issues, Order of Opening Statements, Order of Cross-Examination, and Order of Witnesses filed on November 5, 2024:

1. Resource Planning

- a. Should the Commission require Liberty to develop a drought resiliency plan and file such plan within one (1) year of the Commission’s Order in this case?**
- b. Should the Commission require Liberty to update the plan as Liberty Water deems necessary and file plan updates in subsequent rate cases?**

Liberty’s Position: Liberty is not opposed to the creation of such a plan. However, creating a meaningful drought resiliency plan with targeted and specific outreach activities that will completely align with the state agencies, and subsequent updates, is a full-time effort for at least one person. Additionally, issues such as a budget for incentives to encourage customers to conserve and rates to provide disincentives for large and non-necessary usage would be a necessary part of such a plan, along with education and decoupling. If these issues can be addressed, Liberty is excited to work on the proposed plan and updates.

Penna Reb., pp. 1-5

2. Depreciation Rates

a. What depreciation rates should be ordered by the Commission?

Liberty's Position: The Commission should order the depreciation rates contained in the Direct Testimony of Dane Watson, which reflect the remaining life method. (Watson Dir., pp. 8-9 (Figures 1 and 2) and Direct Schedule DAW-2)

Watson Dir., All
Watson Reb., All
Watson Sur., All

3. Customer First Program O&M

a. What amount, if any, of O&M expense associated with the Customer First Program be included in the revenue requirement?

Liberty's Position: The appropriate amount of Customer First expense to include in the cost of service is \$160,762. Liberty completed its implementation of the Customer First project in April 2024, as part of Algonquin Power & Utilities Corp.'s enterprise-wide Customer First project. Because Liberty was one of the last entities where implementation was completed, Liberty as a whole has already been incurring actual O&M expenses related to Customer First. The ongoing Customer First related O&M expenses are known and measurable and should be included in this case for recovery from customers.

Wilson Reb., p. 19

b. Should the Customer First Program investment be excluded from the Bolivar revenue requirement?

Liberty's Position: No. As stated above, the investment is in service, used and useful and providing service to customers. Because of the targeted focus on Bolivar's wastewater system during the acquisition process, any estimates as to rate increases at that time were directly related

to the needed investments to address the wastewater system. From an accounting perspective, Customer First went into service in April 2024. Approximately five years have passed since the Board of Aldermen voted on this sale (November 27, 2019), four years have passed since Bolivar held an election on these systems, and more than two years have passed since Liberty closed on the assets. At the time of conversations in Bolivar, neither the ultimate cost of Customer First, nor the allocation of those costs, were known.

Penna Sur., pp. 11-12

4. Bolivar Sewer System

- a. Should the Commission order Liberty to begin improving the Bolivar sanitary sewer collection system integrity by repairing system defects to reduce inflow and infiltration in calendar year 2025 on the Company side of the system in the areas identified as critical?**
- b. Should the excess sewer revenues collected in the test year by Liberty in the amount of \$374,447 be applied to decrease the sewer regulatory asset which was established in WA-2020-0397 to permit Liberty's recovery of an acquisition premium?**
- c. Should the excess sewer revenues collected historically by Liberty in the approximate amount of \$990,000 be applied to decrease the sewer regulatory asset which was established in WA-2020-0397 to permit Liberty's recovery of an acquisition premium?**

Liberty's Position:

a. Liberty agrees that it is appropriate to move forward with I&I improvements as soon as possible, and in fact, I&I efforts have begun. However, the Company is not convinced that this

timing should be driven by the Commission. Liberty has entered into an Abatement Order on Consent with the Missouri Department of Natural Resources (“DNR”), to include a schedule of compliance. It is duplicative for the Commission to issue its own schedule of compliance.

Penna Reb., pp. 5-8

b. No. There are no “excess sewer revenues.” Given the revenue requirement positions of the parties, it is clear that Liberty was not overearning during the period referenced.

Further, Section 386.270, RSMo., states that “all rates, . . . fixed by the commission shall be in force and shall be prima facie . . . lawful and reasonable until found otherwise in a suit brought for that purpose . . .” The Courts have stated that rates collected pursuant to lawful tariffs are the property of the utility:

. . . rates are prima facie lawful until found otherwise upon the conclusion of the appeal process. "When the established rate of a utility has been followed, the amount so collected becomes the property of the utility, of which it cannot be deprived by either legislative or judicial action without violating the due process provisions of the state and federal constitutions.

Brooks v. Empire Dist. Elec. Co., 420 S.W.3d 586, 592 (Mo. Ct. App. 2013).

c. See the above response, which is equally applicable to this sub-issue.

5. Cash Working Capital

- a. What is the correct billing lag for Cash Working Capital?**
- b. What is the appropriate Cash Working Capital Requirement to be included in the cost of service?**
- c. Should a 37-day or 365-day or the midpoint of 182.5 day expense lag be used in calculating the cash working capital requirement for both federal and state income tax?**

Liberty's Position:

a. The lead-lag days should be those provided in the Direct Testimony of Liberty witness Timothy Lyons.

b. The Company's cash working capital requirement is \$284,168, based on the Company's adjusted test year expenses filed in surrebuttal testimony.

c. The Commission should use 37 days. The use of 365 days would not recognize that estimated tax payments are due by the 15th day of the 4th, 6th, 9th, and 12th month of a corporation's tax year. However, even assuming for the purpose of this question that the Company pays no income taxes during the effective period of the new rates and can utilize the revenues associated with federal and state income tax expenses as a source of cash, the Company would still be able to utilize such revenues for only 182.50 days.

Lyons Dir., All

Lyons Reb., All

Lyons Sur., All

6. Payroll Expense, Payroll Taxes, & Employee Benefits

- a. **What is the amount of payroll expense that should be included in Liberty's cost of service?**
- b. **Should certain Liberty Utilities employees' salaries be excluded from the cost of service?**
- c. **Should Liberty's anticipated cost to fill currently-open positions of employment within the company be excluded from the cost of service?**
- d. **What is the amount of payroll tax expense that should be included in the cost of service?**

e. **What is the amount of employee benefits that should be included in the cost of the service?**

f. **What is the amount of overtime that should be included in the cost of service?**

Liberty's Position: while the Company does not agree with Staff's reasoning or methodology, for settlement, the Company accepts Staff's position on each of the above.

7. Incentive Compensation

a. **Should Liberty be permitted to recover incentive compensation amounts tied to the company's financial objectives, growth objectives or employee compensation?**

b. **Should Liberty demonstrate customer benefit such as lower rates to be permitted to recover any incentive compensation amounts that are tied to the Company's financial objectives or employee compensation?**

Liberty's Position:

a. While the Company does not agree with Staff's reasoning or methodology, for settlement, the Company accepts Staff's position with adjustment as described in testimony.

b. Having a "balanced scorecard" that emphasizes both service and cost-related goals, rather than just one to the exclusion of the other is important.

Wilson Reb., pp. 23-26

Wilson Sur., pp. 6, 8-9

8. Travel & Training Expense

a. **What amount of training and travel costs should be included in Liberty's cost of service in this case?**

Liberty's Position: The cost of service should include \$45,140 for training and travel expenses. Since the Covid-19 pandemic, the Company has experienced a time of limited travel which has

yet to reach normal levels. Thus, this expense should be based on the 2024 budget or, in the alternative, it should be normalized using the 12 months ending April 2024.

Wilson Reb., p. 26

9. Contract & Outside Services

- a. What amount should Liberty Water be permitted to include in revenue requirement for Contract and Outside Services expense?**

Liberty's Position: while the Company does not agree with Staff's reasoning or methodology, for settlement, the Company agrees to accept Staff's position.

10. Rate Case Expense

- a. Should rate case expense be subject to a 50/50 sharing mechanism?**
 - i. What amount should be included in revenue requirement for rate case expense?**
 - ii. What amount should be excluded from revenue requirement for rate case expense?**
 - iii. What amount of the Depreciation Study costs should be included in revenue requirement?**
- b. Over what time period should rate case expense be normalized/amortized for non-depreciation related rate case expenses?**
- c. What is the appropriate amortization/normalization period for costs associated with the Depreciation Study?**

Liberty's Position:

a. No. The amount included Liberty's revenue requirement should be its actual rate case expense incurred. Because the Company is required to file a rate case to continue to provide

reliable service and rate cases are very involved processes, the Company needs to work with expert consultants to prepare and file said cases. The referenced costs are prudently incurred, and the Company should be able to recoup 100% of these costs.

- i. The amount included in Liberty's revenue requirement should be its actual rate case expense incurred, as determined through the appropriate filings following briefing of the case.
 - ii. No amount of rate case expense should be excluded from revenue requirement. Liberty should be allowed to recover 100% of its rate case expense.
 - iii. The estimated amount of \$72,371 (the actual amount will be determined through the appropriate filings following briefing of the case) of depreciation study costs should be included in Liberty's revenue requirement.
- b. Rate case expense should be amortized over three years, as the Company's goal is to have another rate case after three years.
- c. Costs associated with the depreciation study should be amortized over three years. As stated above, the Company's goal is to have another rate case after three years, and the Company should not run the risk of having previously allowed expenses to be disallowed in a future rate case before they are fully recovered.

Wilson Dir., p. 25
Wilson Reb., pp. 27-29

11. Property Tax Expense, Property Tax Tracker & Property Tax Tracker Amortization

- a. **What amount, if any, is the appropriate property tax tracker balance to be included in the Company's cost of service?**
- b. **What amount, if any, is the appropriate amount of annual amortization to be included in the cost of service as it relates to the property tax tracker?**

- c. **What amount should Liberty be permitted to include as the property tax tracker base to measure against actual property tax expense that will be recovered as a regulatory asset or liability in Liberty’s next general rate case?**

Liberty’s Position:

a. The regulatory asset balance for the property tax tracker as of April 30, 2024, is \$680,564.

b. The Company is proposing a three year amortization life for the Property Tax Regulatory Asset as it will allow the Property Tax Regulatory Asset balance to be fully recovered before the Company’s next anticipated rate case filing. The proposed annual amortization expense associated with the new Property Tax Regulatory Asset balance totals \$226,855. Other public utilities in Missouri have been authorized to utilize the property tax tracker approach recommended by Liberty, and there is nothing in Section 393.400(2), RSMo. that would support any disparate treatment.

c. In settlement, Liberty accepts Staff’s position on this sub-issue. The Commission should include in this case \$804,235 in property tax expense, which should become the base for the tracker going forward.

Wilson Dir., pp. 15-16, 24
Wilson Reb., pp. 4, 8-11, 30

12. Pension & OPEB Expense / Tracker

- a. **What amount should be included for the pension asset?**
- b. **Should the tracked amount be stated on a before or after transfers to construction basis?**

Liberty’s Position:

a. While the Company does not agree with Staff’s reasoning or methodology, for settlement, the Company agrees to accept Staff’s position.

b. The tracked amount should be stated on an after transfers to construction basis.

13. Revenues

a. What amount should be included for revenues?

Liberty’s Position: while the Company does not agree with Staff’s reasoning or methodology, for settlement, the Company agrees to accept Staff’s position.

14. Other Miscellaneous Revenues

a. What amount should be included for miscellaneous revenues?

Liberty’s Position: while the Company does not agree with Staff’s reasoning or methodology, for settlement, the Company agrees to accept Staff’s position.

Wilson Reb., pp. 17-18

15. Allocation Factors

a. What allocation factors should be used?

Liberty’s Position: The Company does not have certain historical allocation data due to the Company’s acquisition of the Bolivar systems in early 2022. While it would be ideal to have more historical information, the Company and Staff are using the most relevant and pertinent data as is available in order to make their rate design proposals.

O’Neill Reb., p. 7

16. Income Tax Expense

a. What amount should be included in income tax expense?

Liberty's Position: The net taxable income for ratemaking is multiplied by the appropriate federal and state tax rates to obtain the current liability for income taxes. A federal tax rate of 21 percent and a state income tax rate of 4 percent were used in calculating Liberty's current income tax liability. The amount of income tax expense ultimately used will be dependent upon the net taxable income resulting from the Commission's decisions.

Wilson Dir., pp. 8, 32
Wilson Reb., pp. 31-32

17. Accumulated Deferred Income Taxes

a. What amount should be included in accumulated deferred income taxes?

Liberty's Position: A net operating loss in the amount of \$87,232 should be included in the balance of accumulated deferred income taxes (ADIT) used to calculate the Company's Cost of Service. Therefore, the total balance of Accumulated Deferred Income Taxes to be included in the cost of service is \$(727). In situations like the one at hand, where deductions on the income tax return are in excess of tax return income a Net Operating Loss (NOL) occurs, when in a NOL position, there is no current tax liability, meaning the accelerated tax return deductions have not been realized and, therefore, no interest free loan is generated. The NOL is a timing difference that represents a future benefit (deduction) and is treated as a deferred tax asset.

McCuen Sur., All

18. Excess Accumulated Deferred Income Taxes

a. What is the appropriate amount of net operating loss to apply to the federal and state excess accumulated deferred income tax for return to customers?

Liberty's Position: Liberty has a combination of excess accumulated deferred income tax (EADIT) on plant-related deferred tax liabilities and deficient ADIT on Liberty's Net Operating Loss (NOL) deferred tax asset. The combination of these two items results in net EADIT owed to

customers. The appropriate amount of net operating loss to apply to the federal and state excess accumulated deferred income tax for return to customers is \$120,786 and \$16,329, respectively.

McCuen Dir., All
McCuen Reb., All

19. Plant in Service

a. What is the appropriate balance of plant in service?

Liberty's Position: while the Company does not agree with Staff's reasoning or methodology, for settlement, the Company agrees to accept Staff's position.

20. Depreciation Reserve

a. What is the appropriate balance of depreciation reserve?

Liberty's Position: while the Company does not agree with Staff's reasoning or methodology, for settlement, the Company agrees to accept Staff's position.

Wilson Sur., p. 3

21. Bolivar Regulatory Asset

- a. What amount, if any, should be included in Liberty's rate base for the Bolivar Regulatory Water Asset and Sewer Asset?**
- b. What amount of the regulatory asset should be recovered as an expense?**
- c. Over what period of time should the regulatory water asset and the regulatory sewer asset be amortized?**

Liberty's Position:

a. As approved by the Commission's *Order Approving Stipulation and Agreement, Asset Transfer, and Certificates of Convenience and Necessity*, in Case Nos. WA-2020-0397 and SA-2020-0398, effective December 18, 2021, a regulatory asset in the amount of \$3,981,385

(\$1,612,758 for water and \$2,368,627 for sewer) was established and those amounts should be included in rate base.

Wilson Dir., pp. 9-10, 24

b. Based on a ten-year amortization, acquisition amortization expense should be \$398,139.

Wilson Dir., p. 24

c. A ten-year amortization period should be utilized for the regulatory water asset and the regulatory sewer asset to balance the interest of customers with the recovery of costs associated with the regulatory asset in a timely manner.

Wilson Dir., p. 24

Wilson Reb., pp. 30-31

22. Contributions in Aid of Construction (“CIAC”), CIAC Reserve, Amortization of CIAC

a. What is the appropriate balance of CIAC, CIAC Reserve, and CIAC Amortization to be included in the Company’s Cost of Service?

Liberty’s Position: while the Company does not agree with Staff’s reasoning or methodology, for settlement, the Company agrees to accept Staff’s position.

23. Deferred Tank Painting

a. Should the deferred tank painting regulatory asset and the associated amortization be included in the Company’s cost of service?

Liberty’s Position: while the Company does not agree with Staff’s reasoning or methodology, for settlement, the Company agrees to accept Staff’s position.

24. Customer First

- a. Should the Commission order that the Company earn no return on the Customer First asset until such time that the Company fixes the billing and customer service issues?**

Liberty's Position: No. The Customer First system is in service and used and useful. It was a necessary investment as it was an enterprise-wide initiative that replaces antiquated and disparate systems that existed across our business. Many of the systems did not reflect current technology exposing the Company to undue risks of disruption and data loss in this currently challenging cybersecurity environment. These new systems will serve Liberty's customers for many years to come and will allow the Company to have real-time access to much more detailed information about its business.

Penna Sur., p. 5
Preston Dir., pp. 2-9
Penny Sur., All

25. WO-2022-0253 Investigatory Docket

- a. Should Liberty Water accompany its Customer First transition with improvements to how it approaches customer service?**
- b. Should the Commission order Liberty Water to provide Staff with updates on Onsolve and measures of success in its utilization, including the number or customers capable of receiving boil advisory text messages and any process or procedural changes implemented to increase the number or customers' mobile phone numbers on file?**

- c. **Should the Commission order Liberty Water to ensure CSRs utilize account notes to document all conversations with customers and actions taken on accounts?**

Liberty's Position:

a. There is a renewed focus on Customer Care at the Company. There are meetings on a daily basis focused solely on resolving billing performance issues. Changes have been made to improve operations and service and to provide a positive customer experience. Additionally, there has been follow up with persons that commented in local public hearings, the Company has subsequently held an open house in Bolivar and is planning similar events in other locations, and it has replaced contractors with Company employees to operate our water and wastewater systems on the east side of the state, among other actions.

Penna Sur., pp. 2-10

b. An order is not necessary. The Company agrees to provide Staff with updates on Onsolve and measures of success. Additionally, The Company is taking steps to encourage customers to update their contact information in their Company account.

Penna Sur., pp. 12-13
Kelly Reb., pp. 4-5

c. An order is not necessary. The Company agrees that accounts requiring notes should be documented and will continue to train customer service representatives (CSRs) to properly document accounts both as a part of new hire training as well as coaching as needed. However, the Company disagrees that *all* customer contacts should be documented by a CSR utilizing a note on the account in the customer information system (CIS). As a compromise with Staff, Liberty agrees to implement a written policy that account notes must be utilized for all calls with the exception of customers asking to be transferred to the payment system or reporting an emergency

that results in an order in the outage management system; and Liberty further agrees to implement annual training on this policy.

Kelly Reb., p. 4

26. Cost of Capital

- a. What capital structure should the Commission use in this case to determine a revenue requirement for Liberty?**
- b. What is the appropriate cost of debt that the Commission should apply in this case to determine a revenue requirement for Liberty?**
- c. What is the appropriate return on equity that the Commission should apply in this case to determine a revenue requirement for Liberty?**

Liberty's Position:

- a. The Commission should use Liberty's actual common equity ratio of 52.61% as of December 31, 2023 (updated to 52.99 as of April 30, 2024) in this case.
- b. The Commission should use a cost of long-term debt of 4.97%.
- c. The Commission should accept Liberty's recommended (return on equity ("ROE")) of 10.0%. In direct testimony, the Company had originally identified a ROE range of 10.19% to 10.94%, with a midpoint and recommendation of 10.62%, based on multiple methods: Constant Growth and Multi-Stage Discounted Cash Flow ("DCF") methods, Capital Asset Pricing Model ("CAPM"), the Bond Yield Plus Risk Premium Model ("RPM"), and quantitative analysis to account for costs that Liberty would incur for the issuance of new equity capital. After reviewing the parties' filed testimony and despite continued belief that 10.62% is a reasonable ROE as the midpoint of the calculated direct range, the Company moved to 10.0% ROE to lessen the overall rate impact on its customers.

Cochrane Dir., All

27. Venice on the Lake Distribution System

- a. **Should the Commission order Liberty to complete the DNR Owner Supervised Program more quickly than the DNR timeline of 5 years?**
- b. **If so, what should the timeline be?**
- c. **Should the Commission order Liberty Water to have all AMR meters in use and useful by March 31, 2025?**
- d. **Should the Commission order Liberty Water to have the installation of the new well, well house, and storage tank at Venice on the Lake complete no later December 31, 2027 and should the Commission require Liberty Water to file status reports in this case docket?**

Liberty's Position:

a. Liberty plans to proceed in a prudent manner to replace pipeline in the time allocated by the DNR's Owner Supervisor Program. This process will be based on the counsel of a reputable engineering firm (Olsson Engineering), which has independently assessed the system status and helped prioritize the system needs of the Venice on the Lake water system. The DNR program will be supervised by DNR. There is no need for the Commission to have its own, separate timeline.

Penna Reb., pp. 12-13
Robinson Sur., pp. 1-3

b. Rather than a specific deadline, Liberty would recommend that it be ordered to participate in semi-annual or annual meetings with Staff to discuss progress, tour the system and discuss overall system operations.

Penna Reb., p. 13

c. Liberty does not object to this requirement. As of the direct testimony filing, approximately 122 AMI units had been installed on the “Upper Portion” of Venice on the Lake. The “Lower Portion” of Venice on the Lake is set to receive AMR due to data connectivity issues associated with AMI. It is anticipated that these installations will be completed in first quarter 2025.

Penna Dir., p. 16

d. Liberty agrees that a new well, well house and storage tank should be installed as soon as possible. Liberty has completed all preconstruction work on the well site and, in accordance with U.S. Fish and Wildlife’s directives, began clearing the property on October 15, 2024. On October 11, 2024, Liberty awarded the well drilling contract for Venice on the Lake. The land was adequately cleared to allow the drilling company (Flynn Drilling) to mobilize on October 28 and begin drilling on November 1. Well drilling, completion of land clearing, and preliminary grading is occurring concurrently. Liberty’s engineering consultant, Olsson Engineering, provided the pump house designs on November 6, 2024, and Liberty shared them with Flynn Drilling on November 8, with a request to provide a bid and Statement of Work.

Liberty does not feel that written status reports are necessary, but rather, recommends semi-annual or annual meetings with Liberty Operations Management and Staff to discuss project progress, tour the system and discuss overall system operations.

Penna Reb., p. 13
Robinson Sur., pp. 2-3

28. Ozark Mountain Water Tank

- a. Should the Commission order Liberty to replace the tank at the Ozark Mountain Water system by December 31, 2025?**

Liberty's Position: Liberty agrees that a new tank should be installed as soon as possible and has plans that allow for installation in the fourth quarter of 2025, barring any unforeseen supply or labor issues.

Penna Reb., p. 9

29. Tank Inspections

- a. Should the Commission order Liberty to inspect the interior and exterior of storage tanks routinely per the American Water Works Association guidelines every three (3) years and address any unsatisfactory findings within 12 months?**

Liberty's Position: Liberty is currently on its three-to-five-year tank inspection schedule as required by the Missouri Department of Natural Resources Publication 2112, and it is that standard that should govern.

Penna Dir., p. 19

30. Water Loss

- a. Should the Commission order Liberty to replace all master meters by December 31, 2025?**
- b. Should the Commission order Liberty to replace all customer meters with AMI or AMR technology to reduce misreads and inconsistent reads?**
- c. Should the Commission order Liberty to collect and retain gallons of water pumped and sold for each individual system separately?**
- d. Should the Commission order Liberty to submit an annual water loss report/study until Liberty's next rate case.**
- e. If so, what information should the report contain?**

- f. Should the Commission order Liberty to deploy leak detection equipment to locate and correct leaks and broken mains, and generate summary reports of such efforts to be filed with an annual water loss study, for any system experiencing NRW equal to or greater than 20%?**

Liberty's Position:

a. Liberty agrees with Staff's recommendation to replace all master meters. Liberty is planning to have all master meters replaced by the end of 2025. However, any such requirement will have to recognize that meter supply times have been extended in recent years and completion of these replacements may not be completely within Liberty's control.

Penna Reb., p. 10

b. No. There are benefits associated with AMI meters and has been working to install new AMI meters in the areas where the organization's electric infrastructure supports such meters. However, this may not be appropriate in all areas, and the Commission should refrain from ordering such replacements.

Robinson Dir., pp. 6-7

c. Liberty does not object to collecting and retaining pumping data in this fashion, and, in settlement, accepts Staff's position on this sub-issue. Liberty has begun planning to collect and retain production and sales data for each individual water system.

Penna Reb., pp. 9-10

d. For settlement, the Company agrees to accept Staff's position. Planning efforts are currently underway to implement this in 2025.

Penna Reb., p. 10

e. For settlement, the Company agrees to accept Staff's position.

Penna Reb., p. 10

f. Liberty agrees to investigate non-revenue water (NRW). Given that Liberty has replaced contract operators with Liberty operators, and given the previously discussed system improvements across the Missouri systems, Liberty does not feel an annual report is necessary, but rather, recommends semi-annual or annual meetings with Liberty Operations Management and Staff to discuss NRW and overall system operations.

Penna Reb., p. 11

31. Rate Design/Rate Consolidation

- a. Should Liberty's Class Cost of Service (CCOS) Study be used to allocate the cost of service and develop rates, or should Staff's rate design be utilized, or should rate increases, if any (at least for Bolivar customers), be spread across the customer classes on an across-the-board basis?**
- b. Should the Commission authorize the combining of Liberty Water's current tariffed areas to four (4) rate districts: Bolivar water, all other water, Bolivar Sewer, all other sewer?**
- c. If rate increases are approved by the Commission for Bolivar in any amount greater than 20% should such increases be phased in over multiple years with no associated carrying costs?**
- d. Should any rate increase ordered for Bolivar Water customers be capped? If yes, what cap should the Commission order?**
- e. Should non-Bolivar customers pay higher rates as a result of a Bolivar rate cap?**

- f. Should the excess revenue requirement on Bolivar’s sewer system be used to (1) offset the Bolivar water rates, (2) decrease the Bolivar sewer customers’ current rates, (3) decrease the Bolivar sewer regulatory asset, or (4) offset the other districts’ sewer rates.**

Liberty’s Position:

a. Liberty’s Class Cost of Service (CCOS) Study should be used to allocate the cost of service and develop rates. Through this process, the total revenue requirement has been first allocated into appropriate functional cost categories. Once the costs were assigned to functional categories, they were allocated into each customer rate class for the development of rates and recovery. The purpose of the allocation process is to ensure that all the costs incurred by the Company are appropriately assigned to each customer rate class based on how much each customer rate class contributes to those costs being incurred. This information should be the basis for developing the rates resulting from this case.

O’Neill Dir., pp. 10-16

b. Yes. Cost sharing and efficiencies that come from scale can benefit customers. Because the water industry has generally been far more fragmented in the past, it has been more susceptible to the rising cost of providing service at a clean, safe and environmentally conscious level. The Company’s proposal is to consolidate the rates among many small systems in order to bring some scale to such systems, many of which would struggle to support significant levels of needed investment.

O’Neill Dir., pp. 4-5
O’Neill Reb., pp. 3-5

c. No. The Commission lacks statutory authority to order a phase-in of rates for a water or sewer utility. Section 393.155, RSMo., authorizes the Commission to phase-in rate increases over

time under certain circumstances, but that authority is only provided with regard to electrical corporations. Courts have stated that when a statute mentions something specifically, it in turn implies the exclusion of something else. *Harrison v. MFA Mutual Insurance Corporation*, 607 S.W.2d 137, 146 (Mo. banc 1980). Section 393.155, RSMo., does not give express authority for a rate phase-in for water or sewer companies. Therefore, the Commission does not have authority to require a phase-in of rates herein.

Further, a utility such as Liberty has expenses that are required for it to operate and provide safe and adequate service. Providing Liberty with a rate that is less than its just and reasonable rate, plus carrying costs, would be confiscatory and constitute an unconstitutional “taking.”

d. There is no “cap” found in agreement, order, or tariff. As noted above, providing Liberty with a rate that is less than its just and reasonable rate would be confiscatory and constitute an unconstitutional “taking.” Therefore, there is no percentage by which a Bolivar increase should be “capped.”

e. No cap should be applied to the Bolivar rates. Thus, this issue is irrelevant.

f. Liberty initially proposed a possible alternative rate design. Liberty is not advocating for this alternative.

O’Neill Dir., pp. 20-23

32. Rate Case Expense Disallowance

a. Should Liberty Water be allowed to recoup the billed amount from FTI

Consulting for Thomas O’Neill’s CCOS study?

Liberty’s Position: Yes. FTI provided valuable services during the rate case. The Company does not have internal staff members available who could perform the tasks that were performed by the external consultants, including FTI and James Fallert.

Wilson Reb., p. 29

33. Preventative Maintenance Plan

- a. Should the Commission order Liberty to establish a Preventative Maintenance Plan for all water and sewer plants by December 31, 2025?**

Liberty's Position: Liberty agrees with Staff that preventative maintenance is a good practice to ensure the most value (reliability and longevity) can be extracted from the installed operating equipment. Liberty will establish a general PM Plan for water and for sewer plans by December 31, 2025.

Robinson Sur., pp. 3-4

34. Normalized Residential Customer Usage

- a. Should customer Usage be normalized, and if so, what methodology should be used?**

Liberty's Position: while the Company does not agree with Staff's reasoning or methodology, for settlement, the Company agrees to accept Staff's position.

35. Administrative and General ("A&G") Expenses?

- a. Should the Commission make an adjustment to Liberty's A&G expenses beyond the issues addressed above?**

Liberty's Position: No. Restricting the recovery of prudently incurred A&G expenses is unreasonably harmful to the Company, primarily because A&G increases are driven by multiple factors such as: an increase in labor costs associated with the implementation of new infrastructure and projects, any proposed amortizations, the hiring of new employees, employee merit increases, etc. These items, along with many others, impact the Company's administrative and general costs. _

Wilson Reb., p. 27

36. Affordability/Policy

- a. Is affordability of water and sewer service a concern given the magnitude of the proposed rate increase? If yes, how should the Commission consider affordability when it decides each issue before it?**

Liberty’s Position: This Commission has found that “the primary goal of a rate design structure is to balance economic efficiency with equity and affordability considerations.” *In the Matter of Missouri-American Water Company's Tariff Sheets Designed to Implement General Rate Increase for Water and Sewer Service Provided to Customers in the Missouri Service Area of the Company*, Report and Order on Second Remand, Case No. WR-2000-281, 2007 Mo. PSC LEXIS 1444 (Issued December 4, 2007).

The fragmentation of the industry with many small systems serving very few customers creates affordability problems. This Commission has recognized that the enactment of Section 393.020, RSMo., “shows that the legislature is aware of the affordability problems faced by small water systems and allows those problems to be ameliorated by consolidation with a larger service area for ratemaking purposes.” *In the Matter of Missouri-American Water Company's Request for Authority to Implement a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Report and Order, File No. WR-2015-0301, 2016 Mo. PSC LEXIS 313 (Issued May 26, 2016). The proposed consolidation of the Company’s fifteen water tariff rate areas and five wastewater tariff rate areas into two sets of water rates (Bolivar and all service areas other than Bolivar) and two sets of wastewater rates (Bolivar and all service areas other than Bolivar) is one way the Commission can begin to address affordability problems related to customer bases.

- 37. Should the Company be directed to study whether to base sewer rates on winter water usage and present the results of that study in the next rate case?**

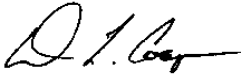
Liberty's Position: Liberty is not opposed to studying whether or not sewer rates in Bolivar should be based on winter water usage prior to the next rate case. This issue was first raised in surrebuttal testimony, so Liberty does not have supporting testimony for this position.

38. Should Liberty Water be authorized to use general plant amortization accounting?

Liberty's Position: Liberty does not use general plant amortization accounting for its water and sewer properties and is not seeking authorization to use the same. This issue was first raised in surrebuttal testimony, so Liberty does not have supporting testimony for this position.

WHEREFORE, Liberty respectfully requests that the Commission consider this Statement of Positions.

Respectfully Submitted,



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ATTORNEYS FOR LIBERTY UTILITIES (MISSOURI WATER) LLC D/B/A LIBERTY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing document was sent by electronic mail on this 8th day of November, 2024, to:

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