

**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)

PARTIAL STIPULATION AND AGREEMENT

COME NOW the Staff of the Missouri Public Service Commission (“Staff”) and Liberty Utilities (Missouri Water) LLC (“Liberty” or “Company”) and present to the Missouri Public Service Commission (“Commission”) for approval this Partial Stipulation and Agreement (“Stipulation”) commemorating an agreement between Staff and Liberty (the “Signatories”) resolving the issues specified below.

1. As set forth below, this Stipulation resolves certain revenue, expense, and rate base items and also resolves certain customer service, operational, and other issues that do not have a dollar impact on the Company’s revenue requirement requests.

2. The issues being resolved are issues that are addressed in testimony by the Signatories. The Office of the Public Counsel, the city of Bolivar, and Holiday Inn Club Vacation are also parties to these rate case proceedings.

3. Utilizing the issues as set forth and numbered in the List of Issues, Order of Opening Statements, Order of Cross-Examination, and Order of Witnesses filed herein on November 5, 2024, the Signatories stipulation and agree as follows:

- Resource Planning (#1)
 - 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 deems necessary and file plan updates in subsequent rate cases?

Resolution of Issue 1: Within one year following the effective date of new rates, Liberty will provide an update on the Company's progress in developing a drought resiliency plan, with the goal of developing and filing such a plan in this docket (or the Company's most recently filed rate case) two years thereafter. The Company will provide updates as appropriate.

- Payroll Expense, Payroll Taxes, & Employee Benefits (#6)
 - 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?

Resolution of Issue 6: the Company accepts Staff's position on each of the above. Staff's Statement of Positions is attached hereto for reference.

- Incentive Compensation (#7)
 - a. Should Liberty be permitted to recover incentive compensation amounts tied to the company's financial objectives, growth objectives or employee compensation?

Resolution of Issue 7(a): the Company accepts Staff's position with adjustment as described in testimony.

- Contract & Outside Services (#9)
 - a. What amount should Liberty Water be permitted to include in revenue requirement for Contract and Outside Services expense?

Resolution of Issue 9: the Company accepts Staff's position.

- Property Tax Expense, Property Tax Tracker & Property Tax Tracker Amortization (#11)
 - 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?

Resolution of Issue 11:

a. The regulatory asset balance for the property tax tracker as of April 30, 2024, is \$680,564. Staff accepts Liberty's position in settlement.

b. The asset should be amortized over three years. The proposed annual amortization expense associated with the new Property Tax Regulatory Asset balance totals \$226,855. Staff accepts Liberty's position in settlement.

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.

- Pension & OPEB Expense / Tracker (#12)
 - 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?

Resolution of Issue 12:

a. The Company accepts Staff's position.

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

- Revenues (#13)
 - a. What amount should be included for revenues?

Resolution of Issue 13: the Company accepts Staff's position.

- Other Miscellaneous Revenues (#14)
 - a. What amount should be included for miscellaneous revenues?

Resolution of Issue 14: the Company accepts Staff's position.

- Plant in Service (#19)
 - a. What is the appropriate balance of plant in service?

Resolution of Issue 19: the Company accepts Staff's position.

- Depreciation Reserve (#20)
 - a. What is the appropriate balance of depreciation reserve?

Resolution of Issue 20: the Company accepts Staff's position.

- Contributions in Aid of Construction, CIAC Reserve, Amortization of CIAC (#22)
 - a. What is the appropriate balance of CIAC, CIAC Reserve, and CIAC Amortization to be included in the Company's Cost of Service?

Resolution of Issue 22: the Company accepts Staff's position.

- Deferred Tank Painting (#23)
 - a. Should the deferred tank painting regulatory asset and the associated amortization be included in the Company's cost of service?

Resolution of Issue 23: the Company accepts Staff's position.

- WO-2022-0253 Investigatory Docket (#25)
 - 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?

Resolution of Issue 25(b) and (c):

- b. The Company agrees to provide Staff with updates on Onsolve and measures of success.
- c. 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.

- Water Loss (#30)
 - 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?

Resolution of Issue 30(c), (d), and (e):

c. Liberty 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.

d. The Company accepts Staff's position. Planning efforts are currently underway to implement this in 2025.

e. The Company agrees to work with Staff to develop the report contents.

- Rate Consolidation (#31(b))
 - 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?

Resolution of Issue 31(b): the Commission should authorize the combining of the current tariffed areas into four rate districts: Bolivar water, all other water, Bolivar sewer, and all other sewer.

- Normalized Residential Customer Usage (#34)
 - a. Should customer Usage be normalized, and if so, what methodology should be used?

Resolution of Issue 34: the Company accepts Staff's position.

4. Additionally, as noted in Liberty's pre-filed testimony, (a) Liberty agrees to revise the maps and legal descriptions for its water and wastewater service areas by no later than December 31, 2025; (b) in conjunction with implementation of its Transaction Fee-Free Program, Liberty will

monitor the number of customers using the credit card option, whether the number of payments by credit cards increases, and whether eliminating a fee to pay by credit card results in savings to the customer, Liberty, or both; (c) Liberty agrees to provide additional monthly reporting to Staff regarding billing exceptions, delayed bills, and no bills; and (d) Liberty agrees to remove the pre-checked box for paperless billing enrollment for customers attempting to make an online payment. Further, Liberty confirms that it does not use General Plant Amortization Accounting for water/sewer; and Liberty agrees to studying whether sewer rates in Bolivar should be based on winter water usage prior to the next rate case.

5. This Stipulation is being entered into solely for the purpose of settling the issues specifically set forth above, and unless otherwise specifically set forth herein represents a settlement on a mutually-agreeable outcome without resolution of specific issues of law or fact. This Stipulation is intended to relate only to the specific matters referred to herein; no Signatory waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein. No Signatory will be deemed to have approved, accepted, agreed, consented, or acquiesced to any substantive or procedural principle, treatment, calculation, or other determinative issue underlying the provisions of this Stipulation except as otherwise specifically set forth herein. Except as specifically provided herein, no Signatory shall be prejudiced or bound in any manner by the terms of this Stipulation in any other proceeding, regardless of whether this Stipulation is approved.

6. This Stipulation has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not approve this Stipulation or approves it with modifications or conditions to which a Signatory objects, then this Stipulation shall be null and void, and no Signatory shall be bound by any of its provisions.

7. If the Commission does not approve this Stipulation unconditionally and without modification, and notwithstanding its provision that it shall become void, neither this Stipulation, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any Signatory has for a decision in accordance with Section 536.090, RSMo 2016 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

8. If the Commission unconditionally accepts the specific terms of this Stipulation without modification, the Signatories waive, with respect only to the issues resolved herein, their respective rights to: (1) call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo 2016; (2) present oral argument and/or written briefs pursuant to Section 536.080.1, RSMo 2016; (3) the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 2016; (4) seek rehearing pursuant to Section 386.500, RSMo 2016; and (5) judicial review pursuant to Section 386.510, RSMo Supp. 2020. These waivers apply only to a Commission order respecting this Stipulation issued in this above-captioned proceeding, and do not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation.

9. The Signatories shall also have the right to provide, at any agenda meeting at which this Stipulation is noticed to be considered by the Commission, whatever oral explanation the

Commission requests, provided that each Signatory shall, to the extent reasonably practicable, provide the other parties with advance notice of the agenda meeting for which the response is requested. Signatory's oral explanations shall be subject to public disclosure, except to the extent they refer to matters that are privileged or protected from disclosure pursuant to the Commission's rules on confidential information.

10. This Stipulation contains the entire agreement of the Signatories concerning the issues addressed herein.

11. This Stipulation does not constitute a contract with the Commission and is not intended to impinge upon any Commission claim, right, or argument by virtue of the Stipulation's approval. Acceptance of this Stipulation by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has or as an acquiescence of any underlying issue. Thus, nothing in this Stipulation is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

12. The Signatories agree that this Stipulation, except as specifically noted herein, resolves all issues related to these topics, and that the agreement and its exhibits should be received into the record without the necessity of any witness taking the stand for examination. Further, contingent upon Commission approval of this Stipulation without modification, the Signatories hereby stipulate to the admission into the evidentiary record of the pre-filed written testimony of their witnesses on the topics addressed herein.

Respectfully submitted,

/s/ Diana C. Carter

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Certificate of Service

I hereby certify that the above document was filed in EFIS on this 14th day of November, 2024, with notification of the same being sent to all counsel of record. This filing was also sent by electronic transmission to all counsel of record.

/s/ Diana C. Carter

**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 and Wastewater Service Provided in its)
Missouri Service Areas)

File No. WR-2024-0104

STATEMENT OF POSITIONS

COMES NOW the Staff of the Missouri Public Service Commission, and for its
Statement of Positions states as follows:

I. List of Issues

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?*
 - i. Yes. Staff agrees with Liberty Water that within one (1) year following the effective date of new rates, Liberty Water will provide an update on the progress made by Liberty Water regarding developing and filing such a plan in this docket or with Liberty Water’s next rate case, whichever comes first. The Commission should require that Liberty Water’s drought resiliency plan have strategies, plans, and actions focused on managing and significantly reducing negative impacts caused by drought. Abbott Direct p. 2-9.
- b. *Should the Commission require Liberty to update the plan as Liberty deems necessary and file plan updates in subsequent rate cases?*
 - i. Yes. Staff agrees with Liberty Water that the plan will be updated as deemed necessary and file the plan with subsequent rate cases so as long as the drought resiliency plan covers all areas of Liberty Water’s drinking water service areas. Abbott Direct, p. 2-9.

2. Depreciation Rates

- a. *What depreciation rates should be ordered by the Commission?*
 - i. Staff’s recommended depreciation rates as attached to Amanda Coffey’s direct testimony in Schedule AC-d2 should be ordered. Coffey Direct p. 3, lines 15-23.

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?*
 - i. The Customer First system at Liberty Water has not been fully operational within the update period for this case. No empirical actual expense data has been provided for Staff to calculate a prudent ongoing amount of O&M expense to recommend in this case. Therefore, Staff recommends not including any O&M expense until such a time that there is sufficient actual expense data available to calculate an ongoing annualized expense to propose. Foster Direct p. 4 and Foster Surrebuttal p. 1 -2.
- b. *Should the Customer First Program investment be excluded from the Bolivar revenue requirement?*
 - i. No. Foster Surrebuttal Accounting Schedule 3.

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?*
 - i. Yes. Harris Direct p. 2-7.
- b. *Should the excess 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?*
 - i. Staff does not have a position on this issue.
- 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?*
 - i. Staff does not have a position on this issue.

5. Cash Working Capital

- a. *What is the correct billing lag for Cash Working Capital?*
 - i. Staff used Liberty Water's response to Staff Data Request ("DR") No. 0114 to determine its 3.00 billing lag that represents a current change due to implementing a new billing system. Horton Surrebuttal p. 2 (testimony adopted by Angela Niemeier).

- b. *What is the appropriate Cash Working Capital Requirement to be included in the cost of service?*
 - i. \$(567,068) Niemeier Surrebuttal Accounting Schedule 8.
- 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?*
 - i. Liberty Water does not currently make income tax payments and they are not able to clarify when that might change. In GR-2021-0108, in the Amended Report and Order, the Commission ruled that 365 days was appropriate when no income tax payments had been made in test year or true-up. Niemeier Surrebuttal p. 7.

6. Payroll Expense, Payroll Taxes, & Employee Benefits

- a. *What is the amount of payroll expense that should be included in Liberty cost of service?*
 - i. \$1,960,411 is the amount of payroll expense that should be included in Liberty Water's cost of service. Horton Direct p. 6 (testimony adopted by Amanda McMellen).
- b. *Should certain Liberty Utilities employees' salaries be excluded from the cost of service?*
 - i. Yes. Business development employees are primarily responsible for pursuing opportunities to expand the utility company's service area in order to generate additional revenues. Also, inactive employees may still be currently employed by Liberty Water, and it is unknown whether or not these employees will return to work. Therefore, inactive employees' payroll and benefit expenses are not known and measurable expenses and should not be included in rates. Horton Direct p 7; Horton Surrebuttal p 3-4 (testimony adopted by Amanda McMellen).
- c. *Should Liberty's anticipated cost to fill currently open positions of employment within the Company be excluded from the cost of service?*
 - i. Yes. Staff disallowed open positions since it is unknown whether or not these positions will be filled before the next general rate case. Hence, allowing open positions payroll expenses in rates creates a profit for utility companies until the positions are filled. Horton Direct p. 6; Horton Surrebuttal p. 3-4 (testimony adopted by Amanda McMellen).

- d. *What is the amount of payroll tax expense that should be included in the cost of service?*
 - i. \$131,325 is the amount of payroll tax expense that should be included in the cost of service. Horton Direct p. 7 (testimony adopted by Amanda McMellen).
- e. *What is the amount of employee benefits that should be included in the cost of the service?*
 - i. \$58,007 is the amount of payroll tax expense that should be included in the cost of service. Horton Direct p. 8 (testimony adopted by Amanda McMellen).
- f. *What is the amount of overtime that should be included in the cost of service?*
 - i. \$85,028 is the amount of payroll tax expense that should be included in the cost of service. Horton Direct p. 7 (testimony adopted by Amanda McMellen).

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 cash outlay?*
 - i. No. The information related to compensation amounts tied to the Company's financial objectives, growth objectives or employee compensation cash outlay is considered confidential and can be found in the testimonies below. Horton Direct p. 8-11; Horton Rebuttal p. 1-5; Horton Surrebuttal p. 4-5 (testimony adopted by Amanda McMellen).
- 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, growth objectives, or employee compensation?*
 - i. Yes. Incentive compensation related to the Company's financial objectives, growth objectives, or employee compensation should be tied to benefits directly related to ratepayers. Horton Direct p. 6 and 10; Horton Rebuttal p. 2; (testimony adopted by Amanda McMellen).

8. Travel & Training Expense

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

- i. \$15,229. Staff maintains the COVID-19 pandemic did not affect Staff's three-year average since the normalization does not include any 2020 data. Therefore, using a three-year average of most current data to normalize travel and training expenses is the most appropriate method to determine this expense. Horton Direct p. 11 and Horton Surrebuttal p. 5 (testimony adopted by Alexis Branson).

9. Contract & Outside Services

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

- i. \$1,251,683 for Outside Services and \$872,756 for Contract Services. Lesmes Direct p. 6, Lesmes Surrebuttal p. 2, and Lesmes Surrebuttal Accounting Schedules 10 and 11.

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?*

- 1. \$128,199. Updated Since Surrebuttal Filing.

- ii. *What amount should be excluded from revenue requirement for rate case expense?*

- 1. Staff is recommending to exclude \$56,153, which is the amount of Liberty Water's consultant Thomas O'Neill with FTI Consulting, Inc.'s billed hours on the Class Cost of Service study. Marek Direct, p. 2-3, Marek Rebuttal, p. 5-6, and Marek Surrebuttal p. 4-8.

- iii. *What amount of the Depreciation Study costs should be included in revenue requirement?*

- 1. The amount to be excluded for cost sharing is \$128,099. Staff is recommending to exclude a 50% share of Staff's normalized rate case expense. Allowing a utility to recover all, or almost all of its rate case expense creates an inherent disincentive for the utility to control rate case expenses. This 50/50 sharing mechanism is consistent with the Commission's most recent decision concerning rate case expense in the Spire Missouri Case Nos. GR-2017-0215 and GR-2017-0216. Sarver Direct p. 4-6.

- b. *Over what time period should rate case expense be normalized/amortized for non-depreciation related rate case expenses?*

- i. Normalized over 3 years. Lesmes Direct p. 7-8 and Lesmes Surrebuttal p. 2-5.
- c. *What is the appropriate amortization normalization period for costs associated with the Depreciation Study?*
 - i. Amortized over 5 years. Lesmes Direct p. 7-8 and Lesmes Surrebuttal p. 2-5.

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?*
 - i. For the purposes of settlement, Staff has accepted Liberty's position that the appropriate property tax tracker balance to be included in the cost of service is \$680,564.00.
- 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?*
 - i. For the purposes of settlement, Staff has accepted Liberty's position that the appropriate amount of annual amortization to be included in the cost of service as it relates to the property tax tracker is \$226,855.00 for a three-year amortization.
- 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?*
 - i. For the purposes of settlement, \$804,235.00 should be included as the property tax tracker base.

12. Pension & OPEB Expense / Tracker

- a. *What amount should be included for the pension asset?*
 - i. \$0. Niemeier Surrebuttal p. 2.
- b. *Should the tracked amount be stated on a before or after transfers to construction basis?*
 - i. In AN-d2, part B, Staff submitted draft language for Pension and OPEB treatment that the amounts tracked amount be stated before transfers to construction basis. Staff's draft was based on past Liberty history of adding pensions to a prior Liberty Gas rate case. Niemeier Direct Schedule AN-d2, part B.

13. Revenues

- a. *What amount should be included for revenues?*
 - i. \$9,072,709. Niemeier Surrebuttal Accounting Schedule 10.

14. Other Miscellaneous Revenues

- a. *What amount should be included for miscellaneous revenues?*
 - i. \$167,098. Niemeier Surrebuttal Accounting Schedule 10.

15. Allocation Factors

- a. *What allocation factors should be used?*
 - i. The 2023 allocation factors should be utilized. Liberty's allocation factors are developed based upon costs that were actually incurred through May to April of any given year (allocation factors are reset annually in April unless a material change occurs), the costs are simply used to develop allocation factors that are representative of the cost drivers. Niemeier Direct p. 9.

16. Income Tax Expense

- a. *What amount should be included in income tax expense?*
 - i. The additional Current Tax required is \$683,461. Niemeier Surrebuttal Accounting Schedule 11.

17. Accumulated Deferred Income Taxes

- a. *What amount should be included in accumulated deferred income taxes?*
 - i. Staff's proposed ADIT balance as of April 30, 2024, is \$(727), including both plant related and non-plant related tax timing differences should be included. Niemeier Surrebuttal Accounting Schedule 11.

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?*
 - i. Staff believes the EADIT balances, created by the Federal Tax Cuts and Jobs Act and the State Corporate Tax Reform, net of an appropriate NOL balance as of January 1, 2018 should be returned to customers using the remaining life of those assets at the time the tax rate change went into effect. Niemeier Rebuttal p. 17.

19. Plant in Service

- a. *What is the appropriate balance of plant in service?*
 - i. \$79,188,736. Sarver Surrebuttal Accounting Schedule 11.

20. Depreciation Reserve

- a. *What is the appropriate balance of depreciation reserve?*
 - i. \$31,175,279. Sarver Surrebuttal Accounting Schedule 11.

21. Bolivar Regulatory Asset

- a. *What amount, if any, should be included in Liberty rate base for the Bolivar Regulatory Water Asset and Sewer Asset?*
 - i. \$0. In Case No. WA-2020-0397, the Commission issued its Order Approving Stipulation and Agreement (“Agreement”) that authorizes Liberty Water to establish a regulatory asset in the next rate case. The Agreement didn’t determine the future ratemaking treatment to be provided to the unamortized amount. Staff is allowing Liberty Water to recover the regulatory asset amount over a ten-year period in amortization expense but not earn a return on the regulatory asset. Sarver Direct, p. 3; Sarver Surrebuttal p. 1-3.
- b. *What amount of the regulatory asset should be recovered as an expense?*
 - i. Water is \$161,276 and sewer \$236,863. Sarver Surrebuttal Accounting Schedule 9.
- c. *Over what period of time should the regulatory water asset and the regulatory sewer asset be amortized?*
 - i. Staff is proposing a ten-year amortization period starting February 1, 2022. Staff recommends a sharing of the responsibility for the regulatory asset between Liberty Water’s shareholders and customers by allowing Liberty Water to recover the cost through a ten-year amortization. Sarver Direct p. 3.

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 Liberty’s Cost of Service?*
 - i. CIAC \$2,114,427, CIAC Reserve \$1,467,514 and CIAC amortization \$50,197 should be included in Liberty Water’s cost of service. McMellen Surrebuttal Accounting Schedules 2 and 10.

23. Deferred Tank Painting

- a. *Should the deferred tank painting regulatory asset and the associated amortization be included in the Liberty's cost of service?*
 - i. No. Staff agrees the purpose of tank painting is to prevent failure and maintain the life of the tank. However, Staff's position is that any tank painting that occurs after the initial coating systems begin to fail should have the associated costs recorded as expense and not capitalized as plant. McMellen Surrebuttal p. 3-5.

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?*
 - i. Staff included Customer First assets in plant in service. Foster Surrebuttal Accounting Schedule 3.

25. WO-2022-0253 Investigatory Docket

- a. *Should Liberty accompany its Customer First transition with improvements to how it approaches customer service?*
 - i. Yes. Liberty Water's customer service issues predate the implementation of Customer First, and will not be entirely solved with the technological upgrades that come with Customer First. Staff is concerned that, absent improvements to Liberty Water's approach to customer service, issues identified in the Investigatory Docket will never disappear entirely to the detriment of Liberty Water's customers. Staff strongly encourages Liberty Water to accompany its Customer First transition with a modification of its approach to customer service to be more proactive. This would include stricter evaluation of new processes (and current processes that haven't failed yet) to prevent issues from occurring before they arise. There should also be continuous evaluation of the customer experience so as to understand how things may look from the customer perspective, followed by action with that perspective firmly in mind. (Thomason Rebuttal p. 20: 4-10).
- b. *Should the Commission order Liberty 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?*

- i. Yes. Following Staff's recommendation that Liberty Water develop more effective means to communicate boil advisories to its customers, Liberty Water began using Onsolve to send text messages to customers impacted by boil advisories. Although this, in concept, is more effective than Liberty Water's past methods of communication, Staff is concerned that the low percentage of Liberty Water's customers who currently have a known mobile phone number on file will limit the effectiveness of Onsolve. Liberty Water has stated that it intends to take measures to encourage customers to update their contact information so they can receive the boil advisory texts. Staff recommends that Liberty Water monitor the number of customers who have mobile phone numbers on file, as well as customer feedback regarding the sufficiency of boil advisory notifications, and make adjustments as necessary. Staff also recommends that Liberty Water provide updates on its progress. Thomason Rebuttal p. 9: 4-7.
- c. *Should the Commission order Liberty to ensure CSRs utilize account notes to document all conversations with customers and actions taken on accounts?*
 - i. Yes. In March of 2022, Staff was concerned with Liberty Water's ability to provide safe and adequate service and their ability to make the needed changes. This prompted Staff to file a Motion to Open an Investigatory Docket and as a result the Commission opened Case No. WO-2022-0253. During the investigation, CXD Staff referenced several areas of concern and offered recommendations for Liberty Water to help improve the service it provides to customers, including proper account note documentation of conversations with customers. During the current rate case, CXD Staff reviewed several phone calls between Liberty Water and its customers and the accompanying account notes. In several instances, account documentation was insufficient or missing altogether. Staff wants to emphasize the significance of thoroughly documenting all interactions with customers. Proper documentation enables CSRs, managers and supervisors to access a comprehensive overview of the account's history. This practice enhances customer service by ensuring that the representative is well-informed about the customer's past interactions. Stockman Direct p. 10: 1-23.

26. Cost of Capital

- a. *What capital structure should the Commission use in this case to determine a revenue requirement for Liberty?*
 - i. The Commission should authorize Liberty Water a balanced hypothetical capital structure consisting of no more than 50.0% common equity. Staff proposes a capital structure of 50.0% common equity and 50.0% long-term debt. Walters Direct p. 59, Table CCW-12.
- b. *What is the appropriate cost of debt that the Commission should apply in this case to determine a revenue requirement for Liberty?*
 - i. The Commission should authorize Liberty Water an embedded cost of debt of 4.97%. Walters Direct p. 59 Table CCW-12.
- c. *What is the appropriate return on common equity that the Commission should apply in this case to determine a revenue requirement for Liberty?*
 - i. The Commission should authorize Liberty Water a return on common equity of 9.45%, within a reasonable range of 9.00% to 9.90%. Walters Direct p. 59, Table CCW-12.

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?*
 - i. Yes, the Commission should order Liberty to complete these Owner Supervised Programs more quickly to reduce customers' routine water outages due to significant leaks and main breaks. Williams Direct p. 3, lines 14-15.
- b. *If so, what should the timeline be?*
 - i. Staff recommends that Liberty Water complete these projects by December 31, 2027. Williams Direct p. 5, line 3.
- c. *Should the Commission order Liberty to have all AMR meters in use and useful by March 31, 2025?*
 - i. Yes. After a period of dual reading (manual and automatic reading) and testing to confirm that the automatic reads are correct, Liberty should be able to have all of the AMI and AMR meters to be fully functional (in use and useful) by March 2025. Williams Direct p. 5, lines 18-20.
- d. *Should the Commission order Liberty to have the installation of the new well, well house, and storage tank at Venice on the Lake complete no later*

than December 31, 2027 and should the Commission require Liberty to file status reports in this case docket?

- i. Yes. Liberty has agreed that a new well, well house, and storage tank are needed at the Venice on the Lake water system. This order from the Commission would make sure Liberty delivers on this agreement and is held accountable. Williams Surrebuttal p. 7-8.

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?

- i. Yes, because this tank appears to have a structural integrity concern due to a visible bend in the wall of the steel tank. Williams Direct p. 9, lines 21-22.

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?

- i. Yes, because during the WO-2022-0253 investigation, Staff found that the interior and exterior of storage tanks were not routinely inspected every three years per American Water Works Association guidelines. Williams Direct p. 9-11.

30. Water Loss

a. Should the Commission order Liberty to replace all mater meters by December 31, 2025?

- i. Yes, because replacing all master meters will help Liberty determine how much water they are producing and better determine water loss. Williams Direct p. 16-17.

b. Should the Commission order Liberty to replace all customer meters with AMI or AMR technology to reduce misreads and inconsistent reads?

- i. Yes, because Liberty has had issues with meter misreads and inconsistent reads. Using AMI and AMR meters, would produce more accurate meter reading. Williams Direct p. 16-17.

c. Should the Commission order Liberty to collect and retain gallons of water pumped and sold for each individual system separately?

- i. Yes. Liberty has not collected and retained gallons of water pumped (produced) and sold for each individual system separately.

This information is very important to determine water loss accurately. Williams Direct p. 16-17.

- d. *Should the Commission order Liberty to submit an annual water loss report/study until Liberty's next rate case.*
 - i. Yes, because Liberty has not been able to accurately determine water loss and this Commission order would hold them accountable to accurately determine water loss. Williams Direct, p. 16-17.
- e. *Is so, what information should the report contain?*
 - i. This water loss report/study should detail:
 - 1. Main breaks and lost and unaccounted-for water by each drinking water system (not tariffed service area, not profit center, but individual drinking water system) on a monthly and annual basis, and
 - 2. Explanations if the unaccounted-for water loss percentage equals to or exceeds 20% on an annual basis for any drinking water system. Williams Direct p. 16-17.
- 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%?*
 - i. Yes, because this will ensure Liberty is investigating water systems with high water loss. Williams Direct p. 16-17.

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, should Staff's rate design be utilized, or should rate increase, if any, be spread across the customer classes on an across-the-board basis?*
 - i. It is Staff's position that Staff's rate design be utilized as it spreads the rate increase across-the-board using an allocation factor for meter size. Marek Direct, pp 1-8, Marek Rebuttal p 2-3 and 5-6, and Marek Surrebuttal p 2-9.
- b. *Should the Commission authorize the combining of Liberty's current tariffed areas to four (4) rate districts: Bolivar water, all other water, Bolivar Sewer, all other sewer?*

- i. It is Staff's position that yes, the Commission should authorize the combining of Liberty Water's current tariffed areas as stated. Marek Direct p. 4, Marek Rebuttal p. 2, and Marek Surrebuttal p. 2-3
- 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?*
 - i. No. Rates should not be phased in.
- d. *Should any rate increase ordered for Bolivar water customers be capped? If yes, what cap should the Commission order?*
 - i. No. It is Staff's position that there should not be a cap as all expenses were reviewed by the auditing department and deemed to be prudent.
- e. *Should non-Bolivar customers pay higher rates as a result of a Bolivar rate cap?*
 - i. No. Staff is recommending not enforcing a rate cap on the Bolivar district's rates and if one is enforced, using the excess sewer revenue requirement to offset the increase prior to the 20% cap being utilized.
- 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?*
 - i. Since there is about a 96% overlap between Bolivar water and Bolivar sewer customers, it is Staff's position the excess revenue requirement should be used to offset the increase in water rates. Marek Surrebuttal p 3.

32. Rate Case Expense Disallowance

- a. *Should Liberty be allowed to recoup the billed amount from FTI Consulting for Thomas O'Neill's CCOS study?*
 - i. No. The CCOS study performed by Mr. O'Neill was based on untrustworthy data and had multiple errors. Also, it is Staff's position a CCOS study was unnecessary in this case. Marek Direct p. 3, Marek Rebuttal p. 5-6, Marek Surrebuttal p. 6.

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?*
 - i. Yes, because a Preventative Maintenance Plan (“PM Plan”) would promote regular inspections and preventive maintenance on water and sewer assets in order to address potential issues before they require a major repair or replacement. A PM Plan would allow Liberty Water to prioritize repair and replacement projects at each water and sewer plant. Williams Direct p. 4, line 9.

34. Normalized Residential Customer Usage

- a. *Should customer Usage be normalized, and if so, what methodology should be used?*
 - i. Yes, Staff’s position is that the most reasonable method to determine annual customer usage would be to use a five-year average of actual usage for the period January, 2019 through December, 2023 to calculate per residential customer, per day. Robertson Direct, p. 4. Due to questionable data, Staff prepared a simplified normalization for residential usage with the limited information available, as described in the direct testimony of Staff witness Mrs. Niemeier. Robertson Direct p. 12.

35. Administrative and General (“A&G”) Expense

- a. *Should the Commission make an adjustment to Liberty’s A&G expenses beyond the issues addressed above?*
 - i. Staff does not have a position on this issue.

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?*
 - i. Staff does not have a position on this issue.

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?

- a. Staff does not have a position on this issue.

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

- a. Staff does not have a position on this issue.

WHEREFORE, Staff respectfully requests that the Commission accept this Statement of Positions.

Respectfully Submitted,

/s/ Casi Aslin

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of November, 2024.

/s/ Casi Aslin