

**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**

**RESPONSE TO COMMISSION QUESTIONS**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”),  
by and through counsel, and with the agreement of the Parties, submits this *Response to  
Commission Questions* filed on December 20, 2024:

1. The agreement proposes phase-in rates for Bolivar over four years. Section 393.155 RSMo, sets out express adjustments to be included in any order approving phase-in rates and recovery for electric corporations. The Commission is unaware of any similar statute for water corporations. Is any legal support for water phase-in rates beyond a Commission determination that such rates would be just and reasonable required? If so, what is the legal support?

**RESPONSE:** As noted by the Commission, RSMo. 393.155 was enacted specifically regarding electric corporations. The phase-in of rates herein is part of a stipulation, agreed to by Liberty Utilities (Missouri Water) LLC (“Liberty”), and to which no party has objected. Liberty submits that, in this situation, the Commission need only find the terms of the stipulation to be “just and reasonable” or “fair and reasonable.” A similar approach was taken in a previous Commission case where a phase in was included in a stipulation for a water corporation. See **Order Approving Unanimous Stipulation and Agreement, In the Matter of United Water Missouri Inc.’s Tariffs Designed to Increase Rates for Water Service, Case No. WR-99-326 (September 2, 1999).**

2. The Bolivar Regulatory Asset (\$2,371,079)
  - a. Is the Bolivar regulatory asset the total amount that the parties agree that Liberty will be short of its revenue requirement for Bolivar?

**RESPONSE:** The stipulation includes an estimated amount that will populate the regulatory asset. The actual amount will be determined based on actual usage. However, after further review, an error has been identified with the calculation of

the Bolivar Regulatory Asset. The estimated Bolivar Regulatory Asset should be \$1,856,313. See the table below:

Year	Proposed Revenue Increase	Proposed Phase In	Additional Revenue Collected	Projected Yearly Regulatory Asset Balance
Year 1	\$1,237,542	25%	\$309,386	\$928,157
Year 2	\$1,237,542	25%	\$309,386	\$618,770
Year 3	\$1,237,542	25%	\$309,386	\$309,386
Year 4	\$1,237,542	25%	\$309,386	\$0
Total:		100%	\$1,237,542	\$1,856,313

b. Does the regulatory asset include accrued carrying costs on the asset balance?

**RESPONSE: No. The regulatory asset does not include accrued carrying costs on the asset balance. However, the parties agreed that the shortfall created from the phase in shall be treated as a regulatory asset and included in rate base in the next rate case.**

i. If not, is there any agreement among the parties as to whether carrying costs should accrue on the unrecovered asset balance until that asset is included in rate base in Liberty's next rate case?

**RESPONSE: The parties agreed that carrying costs will not accrue on the unrecovered asset balance prior to the next rate case. The parties also agreed that the regulatory asset will be placed in the rate base in Liberty's next rate case.**

ii. Are the parties in disagreement and intend this issue to be addressed in Liberty's next rate case?

**RESPONSE: The parties are not in disagreement, because the parties intend this issue to be addressed in Liberty's next rate case.**

3. On page two of the Agreement there is a chart that represents the percentage increase for each commodity. Does the total percentage increase for water and sewer equal 256%? Please explain how each percentage was calculated.

**RESPONSE: The percentage increases included in the table are incorrect. The percentage increases should be calculated based on the portion of the total revenue increase needed for the specified commodity.<sup>1</sup>**

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<sup>1</sup> A Corrected Paragraph 4 and Paragraph 9 of the Agreement is included with this filing as Attachment A.

- a. Is the percentage increase for each commodity a percent of the total dollar increase of \$6,211,853 as agreed to by the parties?

**RESPONSE: Yes. A new chart has been included below:**

<b>Commodity</b>	<b>Percentage of Increase</b>	<b>Dollar Increase</b>
Water – Non-Bolivar	76%	\$4,706,118
Water – Bolivar	20%	\$1,237,542
Sewer – Non-Bolivar	4%	\$268,193
Sewer – Bolivar	0%	\$0
<b>Total:</b>	<b>100%</b>	<b>\$6,211,853</b>

4. The table below represents for each Commodity the Overall Increase Needed (Cell D13 of the Income Statement) in the A1 and A2 billing determinants spreadsheet and the table on page two of the Stipulation and Agreement:

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Commodity</b>	<b>Overall revenue increase needed as shown in cell D13 of each income statement for each year in Schedule A of the Agreement</b>	<b>Stipulation dollar increase as shown on page two of the Agreement</b>	<b>Difference</b>
<b>Water – Non Bolivar</b>	<b>\$4,706,118</b>	<b>\$4,370,665</b>	<b>\$(355,453)</b>
Water – Bolivar year 1	\$309,386	\$395,180	\$85,794
Water – Bolivar year 2	\$255,639	\$395,180	\$139,541
Water – Bolivar year 3	\$309,386	\$395,180	\$85,794
Water – Bolivar year 4	\$309,389	\$395,180	\$85,794
<b>Water – Bolivar Total</b>	<b>\$1,183,797</b>	<b>\$1,580,720</b>	<b>\$396,923</b>
<b>Sewer – Non Bolivar</b>	<b>\$268,193</b>	<b>\$260,469</b>	<b>\$(7,724)</b>
<b>Sewer – Bolivar</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Liberty Water and Sewer</b>	<b>\$6,158,108</b>	<b>\$6,211,854</b>	<b>\$53,746</b>

- a. Should the revenue increase shown in Column 2 equal the revenue increase shown in Column 3?

**RESPONSE: Dollar amounts shown in Column 2 should equal dollar amounts shown in Column 3. However, errors have been identified and new dollar amounts will be provided.<sup>2</sup>**

- i. If not, why not?

**RESPONSE: Please see response to 4(a).**

- b. If Column 2 is correct, would Water – Bolivar have a revenue short-fall at the end of year four?

**RESPONSE: Please see response to 4(a).**

- i. If yes, would this result in a ‘loss’ or would Liberty request recovery of the revenue short-fall in a future rate case?

**RESPONSE: Please see response to 4(a).**

- ii. If Liberty requests recovery of the revenue short-fall in a future rate case, what carrying cost would apply, if any?

**RESPONSE: Please see response to 4(a).**

- c. Provide further explanation to reconcile the A1 and A2 spreadsheets with the amounts that appear in the agreement.

**RESPONSE: Please see corrected dollar amounts in the table below:**

Column 1	Column 2	Column 3	Column 4
Commodity	Overall revenue increase needed as shown in cell D13 of each income statement for each year in Schedule A of the Agreement	Stipulation dollar increase as shown on page two of the Agreement	Difference
Water – Non Bolivar	\$4,706,118	\$4,706,118	\$0
Water – Bolivar year 1	\$309,386	\$309,386	\$0
Water – Bolivar year 2	\$309,386	\$309,386	\$0

<sup>2</sup> A corrected rate design is included as Attachment B.

Water – Bolivar year 3	\$309,386	\$309,386	\$0
Water – Bolivar year 4	\$309,386	\$309,386	\$0
<b>Water – Bolivar Total</b>	<b>\$1,237,542</b>	<b>\$1,237,542</b>	<b>\$0</b>
<b>Sewer – Non Bolivar</b>	<b>\$268,193</b>	<b>\$268,193</b>	<b>\$0</b>
<b>Sewer – Bolivar</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Liberty Water and Sewer</b>	<b>\$6,211,853</b>	<b>\$6,211,853</b>	<b>\$0</b>

5. The following questions are based on the Bolivar Billing Determinants spreadsheet A1.

- a. The year one income statement reflects a total cost of service of \$2,169,143. Should this instead reflect a Total Cost of Service of \$2,222,890 as reflected in tab Revenues-Proposed Rates, cell I36 for year one?

**RESPONSE:** The percentage split between the customer charge and commodity revenues on the year one income statement was incorrect. With the correct percentage split of 46% to the customer charge and 54% to the commodity rate, the Total Cost of Service on the income statement for year one, now matches the Total Revenues at Proposed Rates, cell I36, tab Revenues-Proposed Rates for year one. Additionally, there was an error with unmetered customers which has been corrected. The new Total Cost of Service for year one is \$2,170,443, which is equal to Total Revenues at Proposed Rates, tab Revenues-Proposed Rates, cell I36, for year one.

- b. The year one income statement reflects a cost to recover in rates of \$2,122,413. Should this instead reflect a cost to recover in rates of \$2,176,160 as reflected in tab Revenues-Proposed Rates, cell I34 for year one?

**RESPONSE:** Yes. The percentage split error and unmetered customers error discussed in 5(a) are the reasons for this discrepancy. With errors corrected, the cost to recover in rates, \$2,123,713, as shown on the income statement, now matches the cost to recover in rates, \$2,123,713, as shown in tab Revenues-Proposed Rates, cell I34, for year one.

- c. The year one income statement reflects an allocation between Customer Charge and Commodity Charge totaling 103%. Should this instead reflect an allocation between Customer Charge and Commodity Charge totaling 100%?

**RESPONSE: Yes. See response to 5(a).**

- i. If yes, what should the percentage be for each component of the rate?

**RESPONSE: The customer charge component is 46% and the commodity rate component is 54%.**

- ii. Should the percentage for each component be the same of each year?

**RESPONSE: Yes.**

- d. Please explain why the total Customer Equivalents change from Year 1 (5,347) to Year 2 (5,326) to Year 3 (5,316) as shown on tab Rate Design cell G46.

**RESPONSE: The Customer Equivalents in Year 1 is correct and should be the same in years 2 – 4. In years 2 – 4, 1 ½” customers erroneously included 10 customers, rather than 1. Additionally, 1 ½” customers erroneously included 0 customers, rather than 10.**

- e. The formula for the percent increase in the Billing Comparison tab appears to be incorrect, please verify that the current rate should be the denominator in the formula.

**RESPONSE: Yes. The current rate should be the denominator in the formula.**

**WHEREFORE**, Staff respectfully submits this *Response to Commission Questions* for the Commission’s information and consideration.

Respectfully submitted,

**/s/ Casi Aslin**

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all parties and or counsel of record on this 10<sup>th</sup> day of January, 2025.

**/s/ Casi Aslin**