

Exhibit No.:
Issue(s): *Cash Working Capital;
Payroll Expense,
Payroll Taxes, and
Employee Benefits;
Incentive
Compensation; Travel
and Training Expense*
Witness: *Courtney Horton*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *WR-2024-0104*
Date Testimony Prepared: *October 24, 2024*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

COURTNEY HORTON

LIBERTY UTILITIES (Missouri Water), LLC,

d/b/a Liberty

CASE NO. WR-2024-0104

Jefferson City, Missouri
October 2024

**TABLE OF CONTENTS OF
SURREBUTTAL TESTIMONY OF
COURTNEY HORTON
LIBERTY UTILITIES (Missouri Water), LLC,
d/b/a Liberty
CASE NO. WR-2024-0104**

1		
2		
3		
4		
5		
6		
7	Executive Summary.....	1
8	Cash Working Capital.....	2
9	Payroll.....	2
10	Incentive Compensation	4
11	Travel and Training Expense.....	5

1 **CASH WORKING CAPITAL**

2 Q. Did Liberty Water witness Mr. Lyons address cash working capital billing lag
3 in his rebuttal testimony?

4 A. Yes. In Mr. Lyons' rebuttal testimony, on pages 2 lines 1-24, and page 3,
5 lines 1-3, Mr. Lyons discusses how Staff's billing lag of 3.00 days is inaccurately based upon
6 calendar days rather than business days.

7 Q. How does Staff respond?

8 A. Staff used Liberty Water's response to Staff Data Request ("DR") No. 0114 to
9 determine its 3.00-day billing lag. In response to this DR, Liberty Water stated

10 Missouri Water implemented a new billing system on April 8, 2024, and
11 will follow this billing process going forward: Each meter reading cycle
12 has a scheduled meter reading date and a scheduled bill date that are 3
13 *business days apart*. Most meter reads are obtained on the first day, and
14 the threeday window gives time for missed reads to be obtained and the
15 meter reading cycle to be uploaded on or before the scheduled bill date.
16 After the meter readings are uploaded into System Applications and
17 Products in Data Processing ("SAP"), SAP performs a process to identify
18 any potential implausible readings (i.e., high or low usage compared to
19 history). The implausible readings are reviewed, released, or actioned
20 on by the billing team. The account will not bill until the reading is
21 released or corrected.

22 Therefore, relying upon this DR response, the billing lag of 3.00 days is based upon business
23 days and is the most accurate and current billing lag for Liberty Water.

24 **PAYROLL**

25 Q. Did Liberty Water witness Ms. Wilson address business development
26 employees in her rebuttal testimony?

27 A. Yes. In Ms. Wilson's rebuttal testimony on page 20, lines 3-8, Ms. Wilson
28 discusses how Staff should have allowed business development employees' payroll expenses

Surrebuttal Testimony of
Courtney Horton

1 in its cost of service. Ms. Wilson suggests that business development employees help expand
2 Liberty Water's customer base which in turn allows costs to be spread over a larger number
3 of customers.

4 Q. How does Staff respond?

5 A. Staff continues to support its current position which is to disallow business
6 development employees' labor, taxes, and group benefits. Business development employees
7 are primarily responsible for pursuing opportunities to expand the utility company's service
8 area in order to generate additional revenues. In addition, Staff has disallowed business
9 development employees' payroll expenses in Liberty Utilities (Midstates Natural Gas) Corp.
10 d/b/a Liberty's ("Liberty Gas") current rate case (Case No. GR-2024-0106) and
11 Confluence Rivers Utility Operating Company, Inc.'s ("Confluence Rivers") last rate case
12 (Case No. WR-2023-0006).

13 Q. Did Liberty Water witness Ms. Wilson address open positions in her
14 rebuttal testimony?

15 A. Yes. In her rebuttal testimony on page 20, lines 9-15, Ms. Wilson discusses how
16 Staff should have allowed open positions in its cost of service since Liberty Water is actively
17 seeking to fill these positions.

18 Q. How does Staff respond?

19 A. Staff has disallowed open positions from its payroll expense in Liberty Gas'
20 current rate case (Case No. GR-2024-0106). Staff disallowed open positions since it is
21 unknown whether or not these positions will be filled before the next general rate case. Hence,
22 allowing open positions payroll expenses in rates creates a profit for utility Companies until the

1 positions are filled. In conclusion, open employee positions are not known and measurable
2 expenses and the expense has not yet been incurred and thus should not be included in rates.

3 Q. Did Liberty Water witness Ms. Wilson address inactive employees in her
4 rebuttal testimony?

5 A. Yes. In her rebuttal testimony on pages 20-21, lines 16-24, and lines 1-2,
6 Ms. Wilson discusses how Staff should have allowed inactive employees payroll and group
7 benefit expenses in its cost of service. Ms. Wilson suggests inactive employees are on extended
8 leave such as Family Medical Leave (“FMLA”). In addition, Ms. Wilson insisted that these
9 employees are still employed by Liberty Water and remain eligible for group benefits while in
10 inactive status.

11 Q. How does Staff respond?

12 A. While inactive employees may still be currently employed by Liberty Water, it
13 is unknown whether or not these employees will return to work. Therefore, inactive employees’
14 payroll and benefit expenses are not known and measurable expenses and should not be
15 included in rates.

16 **INCENTIVE COMPENSATION**

17 Q. Did Liberty Water witness Ms. Wilson address incentive compensation in her
18 rebuttal testimony?

19 A. Yes. In her rebuttal testimony on pages 23-24, lines 15-23, and lines 1-15,
20 Ms. Wilson discusses how Staff should have allowed the Employee Stock Purchase Plan
21 (“ESPP”) in its cost of service. Ms. Wilson suggested that ESPP allows employees to acquire
22 stock in Algonquin Power & Utilities Corp. (“APUC”) and the only portion Liberty Water is
23 seeking recovery of is the Company matching portion.

1 Q. How does Staff respond?

2 A. Staff has disallowed ESPP from its cost service in Liberty Gas' current rate case
3 (Case No. GR-2024-0106) and Missouri-American Water Company's ("MAWC") previous
4 rate cases (Case No. WR-2022-0303 and WR-2020-0344). Staff has disallowed this expense
5 in previous rate cases since there is no cash outlay for this item. Liberty Water is simply
6 offering stock options to its employees as an additional benefit. Allowing Liberty Water
7 employees to acquire ownership in Algonquin Power & Utilities Corp. ("APUC") does not
8 directly benefit ratepayers and thus should not be included in rates.

9 **TRAVEL AND TRAINING EXPENSE**

10 Q. Did Liberty Water witness Ms. Wilson address travel and training expense in
11 her rebuttal testimony?

12 A. Yes. In her rebuttal testimony on page 26, lines 6-16, Ms. Wilson insists Staff's
13 three-year average of travel and training expenses does not accurately reflect a normalized level
14 of this expense due to the effects of the COVID-19 pandemic.

15 Q. How does Staff respond?

16 A. The COVID-19 pandemic did not affect Staff's three-year average since it does
17 not include any 2020 data. In addition, Staff reviewed Liberty Water's travel and training
18 expenses booked from 2021 through 2024 and determined that a trend did not exist in the data.
19 Therefore, using a three-year average of most current data to normalize travel and training
20 expenses is the most appropriate method to determine this expense.

21 Q. Does this conclude your surrebuttal testimony?

22 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

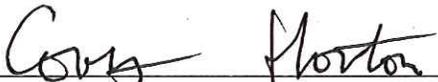
In the Matter of the Request of Liberty Utilities)
(Missouri Water) LLC d/b/a Liberty for) Case No. WR-2024-0104
Authority to Implement a General Rate)
Increase for Water and Wastewater Service)
Provided in its Missouri Service Areas)

AFFIDAVIT OF COURTNEY HORTON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW COURTNEY HORTON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Courtney Horton*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



COURTNEY HORTON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of October 2024.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070



Notary Public