

Docket: : A.24-01-002 et al.
Exhibit Number : Cal Adv- #
Commissioner : Darcie L. Houck
Admin. Law Judge : Margery L. Melvin
Public Advocates Office : Roy Keowen
Witness(es) :



PUBLIC ADVOCATES OFFICE
California Public Utilities Commission

**REPORT ON LIBERTY PARK
AND LIBERTY APPLE VALLEY'S
GENERAL OFFICE EXPENSES
AND RATE BASE**

PUBLIC VERSION

San Francisco, California
July 24, 2024

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1 **MEMORANDUM**

2 The Public Advocates Office at the California Public Utilities Commission (“Cal
3 Advocates”) examined application material, data request responses, and other
4 information presented by Liberty Park Water (“Park”) and Liberty Apple Valley Ranchos
5 Water (“Apple Valley”) in Application (“A.”) 24-01-002 et al. to provide the California
6 Public Utilities Commission (“Commission” or “CPUC”) with recommendations in the
7 interests of ratepayers for safe and reliable service at the lowest cost. Roy Keowen
8 prepared this report under the general supervision of Program Manager Richard
9 Rauschmeier, Program & Project Supervisor Hani Moussa, and Project Lead Suliman
10 Ibrahim. Peter Chau is Cal Advocates legal counsel.

11 Although every effort was made to comprehensively review, analyze, and provide
12 the Commission with recommendations on each ratemaking and policy aspect presented
13 in the Application, the absence from Cal Advocates’ testimony of any particular issue
14 connotes neither agreement nor disagreement of the underlying request, methodology, or
15 policy position related to that issue.

1 **CHAPTER 1 - HEAD OFFICE AND GENERAL OFFICE:**
2 **EXPENSES AND ALLOCATION**

3 **I. INTRODUCTION**

4 This chapter discusses recommendations to the Commission on Liberty’s Test
5 Year (TY) 2025 general office expense and rate base forecasts. Liberty proposes to
6 include in rates for Park and Apple Valley 62% of the total general office expenses in TY
7 2025.

8 General office expenses for Liberty consist of *general* office expenses and *home*
9 office expenses. Liberty’s general office expenses are shared among several of Park’s
10 unregulated and regulated business units. Home office expenses consist of shared costs
11 from additional business units after Liberty acquired Park. Liberty adds the home office
12 allocation to general office expenses and then allocates the expenses to various business
13 units.

14 Liberty’s general offices expenses result from Liberty’s current business structure
15 which has evolved over more than a decade. Today, Liberty Park Water and Apple Vally
16 Ranchos are wholly owned subsidiaries of Liberty Utilities, which is a wholly owned
17 subsidiary of Algonquin Power & Utilities Corporation (APUC). Liberty’s general office
18 expenses result from two acquisitions and two post-acquisition rate cases, as explained
19 below.

20 Prior to acquisition by Western Water Holdings, LLC in 2011, Park was the 100%
21 parent company for Apple Valley.

22 In A.11-01-019, Western Water Holdings, LLC acquired Park and Apple Valley.¹

23 In A.14-11-013, Liberty acquired control of Park and Apple Valley from Western
24 Water Holdings, LLC. The transaction includes a list of requirements to ensure the
25 transaction is fair to ratepayers, for example, that the transfer of ownership will not

¹ D.11-12-007.

1 adversely affect Park or Apple Valley’s provision of regulated service water service to
2 customers.² The transaction was finalized in January of 2016.³

3 In A.18-01-002 and A.18-01-003, Liberty’s TY 2019 rate cases, the Commission
4 allowed into rates “Head Office” expenses.⁴ Head Office expenses are additional layers
5 of allocated parent companies’ and business unit expenses from Algonquin Power &
6 Utilities Corp, Liberty Utilities, Canada (LUC) and Liberty Utilities Service Corp
7 (LUSC).

8 In A.21-07-003 and A.21-07-004, Liberty’s TY 2022 rate cases, Liberty added on
9 the business unit Liberty / Algonquin Business Services (LABS) to Head Office costs.
10 The Commission’s approved TY 2022 general office levels are shown in Table 1 (note:
11 the adopted amounts include home office expenses).⁵

12 In this general rate case (GRC) proceeding, Liberty seeks to include in rates
13 additional general office expenses in TY 2025.

14 The Commission should use two factors to determine general office expenses: the
15 unallocated expense and the allocation factor. The Commission should determine a
16 reasonable level of unallocated expenses and then a fair allocation between business
17 units.

18 The Commission’s rules for the allocation of general office expenses are found in
19 its Standard Practice U-6-W. Standard Practice U-6-W allocates general office expenses
20 based on the equally weighted-average of direct operating expenses, gross plant,
21 employee count and customer count (4-factor methodology). Instead of following the
22 Commission’s rules, Liberty uses its own internally created *Cost-Allocation Manual*
23 (CAM) to allocate general office costs. Liberty’s CAM allocates the expenses differently
24 than Standard Practice U-6-W.

² D.15-12-029 at Ordering Paragraph 1.

³ A.21-07-003 and A21.07-004, Exhibit C, “General Office Test Year”, at 2.

⁴ D.21-01-001.

⁵ D.23-03-003.

1 Table 1 compares Liberty’s proposed TY 2025 general office expense and the last
 2 adopted TY2022 levels.

3 **Table 1: Liberty’s Request Compared to Approved Rates**

	TY 2022 Commission Approved in D.23-02-003. ⁶	Liberty Proposed General Office Expenses for TY 2025. ⁷	Increase / (Decrease) in General Office Expenses Compared to TY 2022	Percent Change
	A	B	(B-A)	(B-A)/A
Unallocated Expense Total	13,870,794	19,480,543	5,609,749	40%
Apple Valley Domestic	3,685,424	5,332,416	1,646,992	45%
Apple Valley Irrigation	7,551	28,046	20,495	271%
Park Water	4,296,971	6,703,540	2,406,569	56%
Total Allocation	7,989,946	12,064,002	4,074,056	51%

4

⁶ D.23-02-003, Appendix D.

⁷ A.24-01-002 and A,24-01-002, “GO25 Expenses.xlsx ” at Tabs “AVR DOM CY”, “AVR Irr CY” and “PW CY”.

1 Table 2 compares Liberty’s proposed TY 2025 allocation factors and the last
 2 adopted TY 2022 allocation factors.

3 **Table 2: Liberty’s Recorded and Proposed Allocation Factors**

	Test Year 2022 General Office Expenses Allocation Factor. [§]	Test Year 2025 General Office Expenses Allocation Factor. [¶]	Increase / (Decrease) in General Office Allocation Factor Compared to TY 2022	Percent Change
	A	B	(B-A)	(B-A)/A
Apple Valley Domestic	26.6%	27.4%	0.8%	3%
Apple Valley Irrigation	0.1%	0.1%	0.1%	0%
Park Water	31.0%	34.4%	3.4%	11%
Total Allocation	57.6%	61.9%	4.3%	7%

4

5 **II. SUMMARY OF RECOMMENDATIONS**

- 6 • Adopt an allocated TY 2025 expense of \$3,021,623 for Park,
 7 \$2,403,682 for Apple Valley – Domestic, and \$12,219 for Apple
 8 Valley - Irrigation.
- 9 • Adopt TY 2025 general office expenses using a five-year average of
 10 Liberty’s recorded total general office expense escalated to 2025.
- 11 • Allocate general office expenses using an allocation factor of 57.6% as
 12 approved in D.23-02-003.

[§] D.23-02-003, Appendix D.

[¶] A.24-01-002 and A.24-01-002, “GO25 Expenses.xlsx ” at Tabs “AVR DOM CY”, “AVR Irr CY” and “PW CY”. In these tabs, Liberty provides the total allocated expenses which is divided by the total unallocated expense to determine the allocations factor (percent of total expenses).

- Deny Liberty’s request to include \$16.1M in rates for the Customer First IT project and should remove \$976,336 for depreciation and \$774,548 for maintenance costs associated with this project.

Table 3 below summarizes the differences between Liberty’s and Cal Advocates’ forecasts.

Table 3: Summary of Recommendations

Test Year 2025 General Office Expenses						
	Liberty		Cal Advocates		Difference	Difference in Percent
	(A)	(B)	(C)	(D)	(A - C)	(C-A) / A
Total Expenses	\$19,486,891	100%	\$8,828,340	100.0%	\$10,658,551	-54%
Allocated to PW	\$6,746,362	34.4%	\$2,734,892	31.0%	\$4,011,470	-59%
Allocated AVR Domestic	\$5,366,690	27.4%	\$ 2,345,661	26.6%	\$3,021,029	-56%
Allocated AVR Irrigation	\$27,282	0.1%	\$4,806	0.05%	\$22,476	-82%
Allocated Total	\$12,140,333	61.9%	\$5,085,358	57.6%	\$ 7,054,975	-58%

Cal Advocates recommends \$5M for TY 2025 versus Liberty’s \$12.1M. Cal Advocates arrived at its recommendation after analysis of Liberty’s previously adopted TY 2022 rates compared to Liberty’s recorded expenses. The analysis revealed that Liberty’s current rates are already excessive both in expense and in allocation and thus it is not necessary to increase rates for TY 2025. Because Liberty’s previously adopted TY 2022

1 budget resulted in excessive rates, an alternative method to forecast TY 2025 general
2 office expense allocation is necessary.

3 Cal Advocates recommends using a 5-year average of recorded expenses,
4 escalated to 2025 and allocated by the Commission’s last adopted allocation factor. The
5 5-year average anchors forecasted rates to actual expense levels. The last adopted
6 allocation of 57.6% should be applied to the 5-year average of recorded expenses since
7 that was the last known allocation level the Commission deemed reasonable.

8 **III. ANALYSIS**

9 **A. Organizational Structure**

10 Public Utilities Code Section 854 specifies rules for acquisitions and mergers.¹⁰
11 One of the first requirements of the code is that before authorizing a merger or
12 acquisition, the Commission should find the proposal provides short-term and long-term
13 benefits to ratepayers.¹¹ As such, the acquisition of Park by Algonquin in 2016 should
14 have financially benefited ratepayers. Instead, customers are being burdened with
15 additional costs resulting in increased rates. In the merger proceeding, Liberty promised
16 the transaction would not negatively affect ratepayers.¹² The Commission found there
17 were no immediate downsides to the transaction. So far, the transaction and subsequent
18 rate cases have resulted in more cost to ratepayers than before, but with dubious
19 additional benefits. Liberty’s general office expenses have steadily increased but without
20 a commensurate decrease in Liberty’s rates since the acquisition took place. Liberty
21 seeks to continue increases in this general rate case (GRC).

¹⁰ California Public Utilities Code Sec. 854,
https://california.public.law/codes/ca_pub_util_code_section_854.

¹¹ California Public Utilities Code Sec. 854 (b)(1)
https://california.public.law/codes/ca_pub_util_code_section_854.

¹² D.15-12-029, Appendix A at p.8, Provision 3.15 states “The transfer of ownership and control will not adversely affect Park Water’s or AVR’s provision of regulated water service to customers, or practices relating to operations, financing, accounting, capitalization, rates, depreciation, maintenance, or other matters relating to the public interest or utility operations.”

Table 4: Comparison of Main Office Allocation Expenses Before the Acquisition (2015), After the Acquisition (2022) and Test-Year 2025 Request

Apple Valley			Liberty TY
	2015 ¹³ ¹⁴	2022 ¹⁵ ¹⁶	2025
Main Office Allocation	1,749,786	3,200,486	4,430,352
Total Operating Exp	11,773,536	12,221,824	23,756,050
% of total	15%	26%	18%
Park			
Main Office Allocation	2,520,644	4,710,146	5,601,656
Total Operating Exp	19,459,409	22,487,608	38,608,316
% of total	13%	21%	15%

Table 4 (above) shows Liberty’s recorded data for 2015 and 2022 and Liberty’s TY 2025 estimate. 2015 was the last year before the acquisitions and 2022 was the last year in which Liberty filed its annual report to the Commission. Table 4 shows that general office expenses have increased in dollars and in the percentage of total expenses, driving up customer rates.

While Liberty’s costs and allocations have been increasing, Liberty’s customer growth has been stagnant. Liberty’s 2019 to 2023 average customer growth rate is just 0.62%.¹⁷ This means that Liberty is asking the same customers to pay additional costs for the same water service they’ve been receiving in the past, with no new services or benefits. In fact, Liberty’s customer service quality has been deteriorating as discussed in

¹³ Park Water’s 2015 Annual Report to the Commission, at 41.

¹⁴ Apple Valley Ranchos’ 2025 Annual Report to the Commission, at 41.

¹⁵ Liberty Utilities (Park Water) Corp. Annual Report to the Commission, at 53.

¹⁶ Liberty Utilities (Apple Vally Ranchos Water) Corp. Annual Report to the Commission, at 54.

¹⁷ Liberty’s 100-day update workpaper “Update”.

1 greater detail in the Customer Service section of the Public Advocates testimony, which
2 details how Liberty failed to meet performance standards in multiple categories in
3 2023.¹⁸

4 In a GRC, a utility must demonstrate the reasonableness of every dollar in its
5 revenue requirement.¹⁹ Increased costs may be justified if they are necessary and
6 ratepayers receive benefits of equal or greater value. Liberty has provided no evidence
7 that this is the case. Liberty has not performed a cost/benefit analysis to determine if the
8 additional expenses are justified.²⁰ When asked to show cost savings, Liberty pointed to
9 an example of positions that were approved in the last GRC decision (D.23-02-003) but
10 were repurposed for efficiency.²¹

11 There are two problems with this answer. First, existing positions that are already
12 factored into rates are fully paid for by ratepayers until the Commission specifically
13 makes a downward adjustment to Liberty’s rates in a subsequent GRC. This means that
14 by “repurposing” the positions to a different business unit, Liberty is cross-subsidizing
15 Liberty’s other business units with positions fully paid for by its captive ratepayers.
16 These ratepayers are now only getting a fraction of the positions they originally funded
17 while still paying the full rate. Rather than more benefit at less cost, captive ratepayers
18 are actually getting less benefit for their money.

19 Liberty does not recommend a reduction in labor costs in this GRC. Instead,
20 Liberty recommends a substantial increase.²² If the Commission adopts Liberty’s
21 proposed labor costs, ratepayers would see no benefit from repurposing these positions.

¹⁸ Cal Advocates “Report and Recommendations on Customer Service, ESJ & Action Plan, and Administrative and General Other Expenses.”

¹⁹ D.96-12-066, at 5.

²⁰ Liberty’s Response to Cal Advocates Data Request RK-002, Q.1.

²¹ Liberty’s Response to Cal Advocates Data Request RK-002, Q.1.

²² D.04-06-018 “Interim Order Adopting Rate Case Plan” at p. defines a significant expense as greater than or equal to 1% of TY gross revenues.

1 Further, Liberty’s TY 2025 general office forecasts a 50% increase over its
2 Commission approved budget for 2022, despite serving the same customer base.^{23,24,25}
3 One of the expected benefits of a merger is cost savings through synergies and
4 efficiencies, which should translate to savings for Liberty’s customers since the
5 acquisition. Instead of realizing these savings, Liberty seeks to significantly increase its
6 general office expense budget in TY 2025 to \$12M, up from \$7.9M in 2022.

7 Ratepayers must be protected from excessive costs resulting from Liberty’s
8 acquisition. The merger was approved based on Liberty’s assurances of added benefits
9 and lower costs. After nearly a decade, Liberty has not demonstrated any added benefits
10 while costs have significantly increased. Liberty’s current proposal continues this trend
11 of increased costs with little tangible ratepayer benefits.

12 The Commission approved the acquisition partly based on the “ratepayer
13 indifference” standard.²⁶ This standard ensures that ratepayers should remain unaffected
14 by change in the ownership of their water system and not be burdened with higher rates
15 because the owner added layers of expense.²⁷ The Commission should ensure ratepayer
16 indifference by limiting Liberty’s expense allocations to 15% for Apple Valley and 13%
17 for Park’s total operating expenses. This approach will ensure ratepayers remain
18 indifferent to general office expenses post-acquisition, as originally promised.

²³ D.04-06-018 “Interim Order Adopting Rate Case Plan” at p. defines a significant expense as greater than or equal to 1% of TY gross revenues.

²⁴ In D.23-03-003 and D.23-03-004, the Commission adopted \$7.9M in allocations. Liberty proposes an allocation of \$12.1M in Test Year 2025. $(\$12.1 - \$7.9) / \$7.9 = 51\%$.

²⁵ Liberty’s average customer growth rate is less than 1% annually.

²⁶ D.15-12-029 *Decision adopting the Settlement Agreement and Conditionally Approving the Application* at 11-12.

²⁷ D.11-12-007 *Conditionally Approving the Application for Authority for Western Water Holdings, Carlyle Infrastructure Partners Western Water, and Carlyle Infrastructure Partners to Acquire and Control Park Water Co. and Apple Valley Ranchos Water Company* at 5.

1 **B. Liberty’s Increase in Allocated Expenses is Unnecessary**

2 Liberty requests a \$4M increase in allocated general office expenses in TY 2025.²⁸

3 The Commission should deny this request. The amounts approved in Liberty’s last GRC
4 are more than adequate to cover Liberty’s expenses. An additional increase in general
5 office allocations is not necessary and harms ratepayers.

6 Liberty’s approved 2022 general office expense and the allocated amounts were
7 excessive as demonstrated in Tables 5, 6, and 7:

8 **Table 5: Liberty’s TY 2022 Commission Approved General Office Expenses**

	Adopted in D.23-02-003 for Test Year 2022²⁹	Percent of Total
Total Unallocated Expense	\$13,870,794	100.00%
Allocated to:		
Apple Valley Domestic	\$3,685,424	26.57%
Apple Valley Irrigation	\$7,551	0.05%
Park Water	\$4,296,971	30.98%
Sum Allocations	\$7,989,946	57.60%

9
10 Table 5 demonstrates the total adopted allocated expense for TY 2022 was \$7.9M
11 which makes up 58% of Liberty total general office expenses. In response to discovery,³⁰
12 Liberty provided the historical allocated expenses in Table 6:

13

²⁸ See Table 1.

²⁹ D.23-02-003, Appendix D.

³⁰ Cal Advocates Data Request RK-031.

1 **Table 6: Recorded Total General Office Expenses, and Allocations³¹**

	2018	2019	2020	2021	2022
Total Expenses (Before Allocation)	8,742,628	8,581,237	10,095,901	9,237,665	8,134,079
Allocated to Park Water	3,576,752	3,442,759	4,740,147	4,524,938	3,752,960
Allocated to Apple Valley-Domestic	3,026,416	2,894,901	3,648,228	3,687,623	3,087,388
Allocated to Apple Valley - Irrigation	6,078	3,045	2,180	9,901	7,573
Total Allocated Expenses	6,609,245	6,340,705	8,390,555	8,222,462	6,847,920

2
3 Table 6 shows that Liberty’s recorded allocated expense was \$6.8M in TY 2022,
4 which was \$1.1M lower than the authorized amount. Table 7 compares Liberty’s
5 adopted TY 2022 allocation and recorded allocated expense.

6 **Table 7: Liberty’s adopted TY 2022 allocation**
7 **and recorded allocated expense.**

Allocated Expense Adopted in D.23-02-003 for Test Year 2022³²	Recorded Allocated Test Year 2022³³	Allocated Difference	Percent Change
(A)	(B)	(A-B)	(B-A) / A
\$7,989,946	\$6,847,920	\$1,142,026	-16.7%

8
9

³¹ Liberty’s Response to Cal Advocates Data Request RK-031. Liberty’s response confirmed that the \$8.1M in 2022 is the total unallocated general office expense for 2022.

³² D.23-02-003, Appendix D.

³³ Liberty’s Response to Cal Advocates Data Request RK-031.

1 Table 7 demonstrates that Liberty was overfunded by \$1.1M in TY 2022.
 2 Customer rates will continue to increase in attrition years 2023 and 2024 due to the
 3 escalation methodology prescribed by the Class A Water rate case plan.³⁴ Liberty’s 100-
 4 day update provided Cal Advocates with recorded data for attrition year 2023. Table 8
 5 shows the unallocated expense total for 2023 and compares it to 2022:

6 **Table 8: Comparison of Liberty’s 2022 General Office Expense to 2023**

	2022	2023	Difference
	(A)	(B)	(A-B)
Liberty's Recorded, Total, Unallocated, General Office Expense ³⁵	\$8,134,079	\$6,237,785	\$1,896,294

7
 8 Table 8 shows that Liberty’s recorded total unallocated general office expenses
 9 decreased by \$1.8M from 2022 to year 2023. However, Liberty customers would not
 10 benefit from such a decrease because the Commission has already adopted a budget,
 11 covering 2022 to 2024, in D.23-02-003. The Commission should adjust Liberty’s rates
 12 downwards to match Liberty’s recorded general office expenses on a forward-looking
 13 basis, beginning in TY25.

14 The analysis demonstrates that Liberty has been overfunded for general office
 15 expenses in TY 2022 and in attrition year 2023. The analysis also demonstrates Liberty’s
 16 request to increase general office expenses by \$4M in TY2025 is unnecessary. Liberty
 17 recorded data does not justify additional rates. Any request to increase rates should be
 18 denied since it will further burden ratepayers.

³⁴ D.04-06-018, *Interim Order Adopting Rate Case Plan*, at 10-15.

³⁵ Liberty’s 100-day update of “GO25 Expenses.xlsx” at Tab “Expense Detail”, Line 433.

1 **C. Liberty’s Customers are Paying More than Their Fair**
2 **Share of General Office Expenses**

3 Liberty estimates total general office expenses and then allocates them using an
4 internally created Cost Allocation Manual.³⁶ Liberty used the same methodology in
5 Liberty’s last (TY 2022) GRC, in which the Commission agreed with Liberty’s forecast,
6 but with minor modifications.³⁷ As discussed above, Liberty’s methodology has resulted
7 in captive ratepayers paying more than their fair share of the general office expenses.
8 Instead of relying on Liberty’s forecast again in this case, the Commission should base
9 Liberty’s expenses on recorded expenses and the Commission adopted allocation factor.
10 This will ensure Liberty’s customers are only paying their fair share of general office
11 expenses.

12 Table 9 shows Liberty’s total unallocated general office expenses, the allocations
13 to Park and Apple Valley, the total amount allocated and the percentage of total for each
14 approved in Liberty’s TY 2022 GRC:

15 **Table 9: General Office Expenses Adopted in D.23-02-003**

	Adopted in D.23-02-003 for Test Year 2022 Rates .³⁸	Percentage of Total General Office Expenses
Unallocated Total General Office Expenses	13,870,794	100%
Apple Valley	3,685,424	27%
Apple Valley Irrigation	7,551	0%
Park Water	4,296,971	31%
Total Expense Allocated	7,989,946	58%

16
³⁶ A.24-01-002 and A.24-01-003, Exhibit C. General Office Report, at 2-3.

³⁷ D.23-02-003, at 35-45, the Commission makes agrees with Liberty’s home office expense allocation, Liberty’s allocation factors, and requests for new positions but limits some short-term incentive pay and excludes long-term incentive pay.

³⁸ D.23-02-003, Appendix D.

1 Table 9 above demonstrates the Commission expected Liberty customers to pay
 2 \$7.9M for general office expenses, which equals 58% of the total unallocated general
 3 office expenses of \$13.8M in 2022. Cal Advocates issued a data request for Liberty’s
 4 recorded general office expenses from 2018 to 2022. Table 10 shows Liberty’s response:

5
 6

Table 10: Recorded Total General Office Expenses, and Allocations

	2018	2019	2020	2021	2022 ³⁹
Total Expenses (Before Allocation)	8,742,628	8,581,237	10,095,901	9,237,665	8,134,079
Allocated to Park Water	3,576,752	3,442,759	4,740,147	4,524,938	3,752,960
Allocated to Apple Valley- Domestic	3,026,416	2,894,901	3,648,228	3,687,623	3,087,388
Allocated to Apple Valley - Irrigation	6,078	3,045	2,180	9,901	7,573
Total Allocated Expenses	6,609,245	6,340,705	8,390,555	8,222,462	6,847,920
Percent of Total Unallocated Expenses	76%	74%	83%	89%	84%

7

8 Table 10 demonstrates that Liberty’s recorded total unallocated expense was much
 9 lower than forecasted (\$13.8M v \$8.1M) and that Liberty customers are paying a larger
 10 percentage of total expenses than the Commission approved for Liberty in TY 2022 (58%
 11 v. average of 81%). Liberty’s response reveals two things: 1) that Liberty over-
 12 forecasted its general office expenses in Test Year 2022; and 2) that Liberty’s Park and
 13 Apple Valley customers are paying more than their fair share of total general office
 14 expenses, between 74-89% of the total unallocated general office expenses, instead of the

³⁹ Liberty’s Response to Cal Advocates Data Request RK-031, Attachment “Q1b RK-031 Recorded Expenses.xlsx.”

1 58% approved by the Commission for TY 2022. In other words, even though Liberty’s
 2 recorded expenses were significantly less than projected, Liberty did not reduce Park and
 3 Apple Valley’s share of expenses ratably.

4 If the Commission adopts Liberty’s general office forecast, ratepayers will
 5 continue to pay more than their fair share of expenses. Table 11 below shows Liberty
 6 proposed increases to general office expenses.

7 **Table 11: Liberty Proposed General Office Increases and Percentages**

	General Office Expense and Allocation Adopted in D.23-02-003 for Test Year 2022 Rates. ⁴⁰	Liberty's Projected Test Year 2025 General Office Expense and Allocation. ⁴¹	Increase (Decrease)	Percent of Total Increase
	(A)	(B)	(B-A)	
Unallocated Total General Office Expenses	13,870,794	19,480,543	5,609,749	100%
Apple Valley	3,685,424	5,332,416	1,646,992	29%
Apple Valley Irrigation	7,551	28,046	20,495	0%
Park Water	4,296,971	6,703,540	2,406,569	43%
Total Expense Allocated	7,989,946	12,064,002	4,074,056	73%

8
 9 Table 11 demonstrates that Liberty proposes a \$5.6M increase in total general
 10 office expenses, \$4M of which will be allocated to Park and Apple Valley. The table also
 11 demonstrates 73% of Liberty’s total general office expense increases in TY 2025 will be
 12 paid by Park and Apple Valley ratepayers. 73% is in line with Liberty’s recorded
 13 expense allocations meaning that not only have ratepayers been paying more than their
 14 fair share of general office expenses, but Liberty plans for customers to continue paying

⁴⁰ D.23-02-003, Appendix D.

⁴¹ A.24-01-002 and A.24-01-002, “GO25 Expenses.xlsx ” at Tabs “AVR DOM CY”, “AVR Irr CY” and “PW CY”. In these tabs, Liberty provides the total allocated expenses which is divided by the total unallocated expense to determine the allocations factor (percent of total expenses).

1 more than their fair share of general office expenses in the future as well. A 73%
2 allocation is not justified. Liberty's own CAM projects an allocation factor for TY 2025
3 of just 62%, which is a 4% increase over TY 2022 amounts.⁴²

4 In Liberty's last GRC for TY 2022, the Commission agreed with the utility's
5 general office expense forecast, which included the use of Liberty's CAM and other
6 expense assumptions, with relatively minor modifications.⁴³ Because the recorded
7 expenses were much less and allocations were much higher than the amount adopted by
8 the Commission, the Commission should use an alternative method to estimate Liberty's
9 TY 2025 expense allocation.

10 The Commission should use a five-year average of recorded, unallocated expense
11 multiplied by the last adopted allocation factor, with escalation, to estimate Liberty's TY
12 2025 general office expense and allocation. Liberty's recorded total general office
13 expense fluctuates from year-to-year without a clear increasing or decreasing trend, so
14 using a five-year average of Liberty's unallocated expenses will reasonably capture
15 Liberty's typical or average level of general office expense. The average should be
16 multiplied by the Commission's last adopted allocation factor, which for both Park and
17 Apple Valley is 57.6%. The product of Liberty's average record expenses and allocation
18 factor should be escalated to 2025 dollars. This methodology will ensure Park and Apple
19 Valley customers are only paying their fair share of expenses beginning in TY 2025.
20 Until then Liberty ratepayers are paying excessive rates for general office expenses.

21 **D. Liberty's Requests**

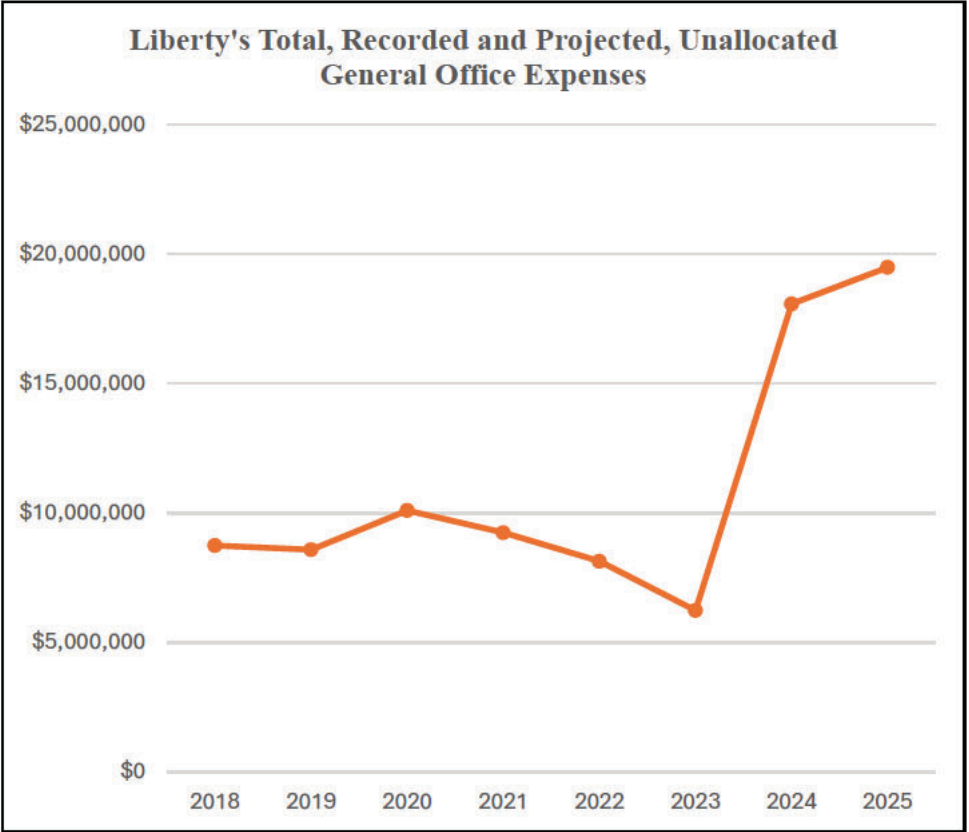
22 Based on its recorded costs, Liberty does not need to add costs for TY 2025 and
23 that Park and Apple Valley customers have been paying more than their fair share of
24 general office expenses.

⁴² See Table 2 of this report.

⁴³ D.23-03-003, at 35-45.

1 A review of Liberty’s workpapers reveals a steep increase in unallocated expenses
2 between 2023 and 2024. Table 12 shows the annual recorded and projected total
3 unallocated general office expenses.

4 **Table 12: Liberty’s Recorded and Projected General Office Expenses**
5 **from 2018 to 2025.**



6
7
8 Table 12 shows a steep increase in total general office expenses from \$6.2M in
9 2023 to \$18M in 2024. It further increases to \$19.5M in 2025. The drivers of Liberty’s
10 TY 2025 increases are Administrative and General (A&G) payroll expense, home-office
11 allocations, and an increase in costs related to Liberty’s Customer First (IT) project (rate
12 base, depreciation and maintenance).

1 **1. A&G Payroll Expense**

2 Liberty forecasts TY 2025 general office labor expense using an internally created
3 workpaper for years 2024, 2025, and 2026.⁴⁴ However, Liberty’s forecast methodology
4 results in TY 2025 labor expenses that are significantly more than the last recorded
5 (2022) expense level without reasonable justification. While the Class A Water rate case
6 plan allows Liberty to use any reasonable forecasting methodology of TY expenses, it is
7 not reasonable for Liberty to over-forecast an expense.

8 Analysis of Liberty’s recorded labor expenses from 2018 to 2022 reveals that
9 Liberty’s general office labor expenses have steadily declined since 2018. Table 13
10 shows Liberty’s recorded A&G payroll expenses as reported in Liberty’s workpaper:

11 **Table 13: Liberty’s Recorded A&G Payroll Expense by Year**

	Annual A&G Payroll Expense. ⁴⁵				
Year	2018	2019	2020	2021	2022
Amount	\$4,500,549	\$4,104,164	\$3,847,282	\$2,974,809	\$2,796,716

12
13 Table 13 shows A&G payroll expense gradually decreased from \$4.5M in 2018 to
14 \$2.7M in 2022. Continuing this downward trend would result in a lower TY 2025
15 amount, yet Liberty forecasts \$11.6M, which is over 300% more than the 2022 expense.
16 Table 14 shows Liberty’s payroll forecast.

17 **Table 14: Liberty’s Payroll Expense Forecast.⁴⁶**

Year	2022	2023	2024	2025
A&G Payroll Expense	2,796,716	N/A	10,875,149	11,676,723

⁴⁴ A.24-01-002 and A.24-01-002, “GO25 2025 Payroll CONFIDENTIAL.xlsx”.

⁴⁵ A.24-01-002 and A.24-01-002, “GO25 Expenses.xlsx ” at Tab “Sum CY-Recorded” Row 15.

⁴⁶ A.24-01-002 and A.24-01-002, “GO25 Expenses.xlsx ” at Tabs “Sum CY-Recorded” Row 15.

1 Table 14 demonstrates Liberty’s general office payroll increases by over \$8M
2 from 2022 to 2024 and is the largest of Liberty’s projected expenses increase. Liberty
3 does not explain this increase in Liberty’s testimony. Liberty’s testimony states:

4 “Liberty Park General Office labor costs for 2025 are estimated based on
5 forecasted headcount, employee compensation in effect during 2023,
6 estimates of annual salary adjustments to be granted during 2024 and 2025,
7 and overtime and incentive pay by individual employee. In addition, the
8 applicable burden rate is utilized to calculate total labor cost, inclusive of
9 benefits and related expenses, by individual employee, and projected
10 overtime, standby, and incentive pay by individual employee.⁴⁷”
11

12 Liberty’s payroll forecast is in its own separate workpaper. Figure 1 shows a
13 sample of Liberty’s labor forecast workpaper:

14 **Figure 1: A Sample of Liberty’s Labor Forecast Workpaper**

15 << BEGIN CONFIDENTIAL >>



16 48

17 << END CONFIDENTIAL >>

18 As described, Liberty’s workpaper lists out each position, base salary, merit
19 increases, bonuses and burdens to estimate expenses for 2024 and again for TY 2025. In
20 2025 Liberty estimates << BEGIN CONFIDENTIAL >> [REDACTED]

⁴⁷ A.24-01-002 and A.24-01-003, Exhibit C, General Office Report, at 18.

⁴⁸ A.24-01-002 and A.24-01-002, “GO25 2025 Payroll CONFIDENTIAL.xlsx” at Tab “PR Calc.”

1 [REDACTED] <<END CONFIDENTIAL>> of which is expensed. Cal Advocates asked
2 Liberty to provide the information for 2022 in the same format Liberty had presented for
3 2024 and 2025, for comparison. Figure 2 shows Liberty's response to Cal Advocates
4 Data Request:

5
6
7

Figure 2: Liberty's Response to Cal Advocates Data Request RK-011
<< BEGIN CONFIDENTIAL >>



8
9
10

<< END CONFIDENTIAL >>

⁴⁹ Liberty's Response to Cal Advocates Data Request RK-011, Q5.

1 Liberty responded that the 2022 data was not available. Without a comparison to
2 2022, it is impossible for Cal Advocates to determine how Liberty’s forecast compares to
3 its recorded expense or to evaluate the reasonableness of Liberty’s TY 2025 assumptions.

4 Cal Advocates also asked Liberty to justify and support the increase from <<
5 **BEGIN CONFIDENTIAL** >> [REDACTED] << **END CONFIDENTIAL**]** to
6 \$10.8M. Liberty responded that the comparison must be done on the net allocated basis,
7 and that the true recorded labor expense for Liberty is calculated differently and is
8 actually << **BEGIN CONFIDENTIAL** >> [REDACTED] << **END CONFIDENTIAL** >> in
9 2022. Figure 3 shows Liberty’s calculation of payroll expenses that is comparable to
10 their 2024 and TY 2025 forecasts.

11 **Figure 3: Liberty’s Calculation of Recorded Labor Costs on a Net Allocated Basis**
12 << **BEGIN CONFIDENTIAL** >>



13
14 << **END CONFIDENTIAL** >>
15

⁵⁰ Liberty’s Response to Cal Advocates Data Request RK-011, Attachment “Q5b 011-RK GO 2022 Payroll.xlsx”.

1 Figure 3 demonstrates Liberty’s calculation that adds up to <<BEGIN
2 CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>> in 2022. It also shows a
3 comparison to the net allocated amount for 2025, is <<BEGIN CONFIDENTIAL>>
4 [REDACTED] <<END CONFIDENTIAL>>. Figure 4 shows Liberty’s calculation of
5 payroll expenses that is compared to Liberty’s projected 2025 net allocation.

6
7 **Figure 4: Liberty’s and Calculation of Liberty’s 2025 Net Allocation.**
8 << BEGIN CONFIDENTIAL >>



9
10 << END CONFIDENTIAL >>
11

12 Figure 4 shows Liberty’s calculation of expenses on a net allocated basis. The
13 problem with Liberty’s response is that, even though the allocated expenses are
14 increasing modestly, it does not justify how Liberty’s unallocated expense could increase
15 from << BEGIN CONFIDENTIAL >> [REDACTED] << END CONFIDENTIAL >> to
16 \$10.8M in 2024.

17 Cal Advocates conducted two virtual meetings with Liberty regarding Liberty’s
18 payroll request. The first meeting on January 31, 2024, ended with Liberty promising to
19 look into the issue further and provide a supplement response. After no further response
20 from Liberty, Cal Advocates followed-up on March 7th and met virtually with Liberty on
21 March 11th, again ending with Liberty’s promise to provide an explanation after Liberty’s

1 100-day update (the 100-day update was due on April 10th). Liberty's 100-day update
2 shows the 2023 A&G Payroll expense was \$3.7M (and \$0 for the West Region
3 allocation) out of \$6.2M in total expenses.⁵¹ However, the 100-day update data still does
4 not adequately explain Liberty's projected increase in A&G payroll between 2022 and
5 2024.^{52,53} Cal Advocates again arranged a meeting on April 25th for which Liberty
6 provided a workpaper showing total payroll equal to << BEGIN CONFIDENTIAL >>
7 [REDACTED] << END CONFIDENTIAL >> in 2022.⁵⁴ This response did not make sense
8 because << BEGIN CONFIDENTIAL >> [REDACTED] << END CONFIDENTIAL >> is
9 more than the total 2022 expenses Liberty shows in its application workpapers, which is
10 << BEGIN CONFIDENTIAL >> [REDACTED]. << END CONFIDENTIAL >> Cal
11 Advocates asked for Liberty's most recent payroll tax filing which showed that the total
12 unallocated expense just for compensation was << BEGIN CONFIDENTIAL >> [REDACTED]
13 [REDACTED] << END CONFIDENTIAL >> employees in 2023.⁵⁵ Liberty's payroll tax filing
14 showing << BEGIN CONFIDENTIAL [REDACTED] << END CONFIDENTIAL >> which is equal to
15 [REDACTED] << END CONFIDENTIAL >> which is equal to
16 Liberty's full adopted expense allocation for TY 2022 (not just the labor), and is still
17 significantly less than Liberty's projected \$10.8M in 2024. Despite Cal Advocates'
18 multiple attempts to ascertain the reason, Cal Advocates never received a clear, logical,
19 explanation from Liberty on how the recorded data could jump so dramatically between
20 2022 to 2024.

⁵¹ A.24-01-002 and A.24-01-003, Liberty's 100-day update of "GO25 Expenses.xlsx" at Cells N82 and N315, and N433.

⁵² A.24-01-002 & A.24-01-003, Liberty's 100-day update to "GO25 Expenses.xlsx" at Tab Expense Details.

⁵³ In addition, Liberty provided inconsistent recorded 2023 data. Liberty's 100-day update shows \$6.2M but Liberty's Response to Cal Advocates Data Request RK-038 shows a total of \$16.2M in 2023.

⁵⁴ Email between Liberty Utilities and Cal Advocates, Subject "[External] 2022 Roster for General Office" provided a work paper titled "2022 GO Recorded CONFIDENTIAL.xlsx" on May 3, 2024, which shows Liberty's \$8.9M.

⁵⁵ Liberty's Response to Cal Advocates Data Request RK-034.

1 Liberty's increase in payroll is not the only issue with Liberty's forecast.
2 Liberty's forecast contains several faulty assumptions. For example, Liberty's forecast
3 assumes full employment with new, expensive positions; has no vacancy adjustments;
4 includes merit increase rates that exceed forecasted labor rates; includes bonus pay; and
5 includes a column labeled "burdens" for overhead costs without any specific breakdown
6 of the individual costs.⁵⁶ Liberty did not provide any evidence that a cost benefit analysis
7 or time studies had been conducted to justify the new positions.⁵⁷

8 Liberty's proposed increases to rates for general office expenses are unnecessary
9 and captive customers are already paying more than their fair share of expenses based on
10 the recorded data. Liberty's payroll request, its largest increase in expenses, is unjustified
11 as well.

12 Therefore, it is reasonable to use an alternate method to forecast TY 2025 general
13 office expenses. As suggested throughout this report, the Commission should use a five-
14 year average of Liberty's total recorded general office expenses and use the Commission
15 last adopted allocation factor, escalated, to estimate TY 2025.

16 **2. Head Office Expense**

17 Liberty's second largest increase in TY 2025 is its allocations expense. Allocation
18 expense consists of allocated Liberty head office expenses. Head Office are additional
19 business units the Commission allowed Liberty to include in rates. Table 15 shows
20 Liberty's recorded and projected Head Office Allocations:

⁵⁶ A.24-01-002 and A.24-01-002, "GO25 2025 Payroll CONFIDENTIAL.xlsx" at Tab "PR Calc."

⁵⁷ Liberty's Response to Cal Advocates Data Request RK-007.

1 **Table 15: Liberty’s Recorded and Projected Head Office Allocations⁵⁸**

Year	2022	2023	2024	2025	Difference between 2022 Recorded and TY 2025 Projected Allocations	Percent Change
	(A)	N/A		(B)	(B-A)	(B-A)/A
APUC-Four Factor	\$751,024	N/A	\$824,760	\$857,750	\$106,726	14.2%
LABS Business Service-Four Factor	371,509	N/A	534,427	555,804	184,295	49.6%
LABS Corp Service-Four Factor	773,982	N/A	1,148,725	1,194,673	420,691	54.3%
LUC-Four Factor	201,139	N/A	269,915	280,712	79,573	39.5%
LABS US	617,008	N/A	641,688	667,356	50,348	8.1%
Total	\$2,714,662	N/A	\$3,419,515	\$3,556,295	\$841,633	31%

2
3 Table 15 demonstrates that Liberty’s proposed head office expenses increase from
4 an actual \$2.7M in TY 2022 to \$3.5M in TY 2025, an increase of \$841K. Liberty’s
5 testimony states that Liberty’s head office expenses are forecasted based on recorded
6 2022, escalated to TY 2025 and that further details regarding the expense are contained in
7 Liberty’s workpapers.⁵⁹

8 A review of Liberty’s workpapers reveals that Liberty’s head office expenses
9 contained significant, unexplained increases in their head office expenses which were not

⁵⁸ A.24-01-002 and A.24-01-003, “GO25 Expenses.xlsx ” at Tab “Expense Details”.

⁵⁹ A.24-01-002 and A.24-01-003, Exhibit C, “General Office Report” at 25.

1 justified in Liberty’s testimony. Table 16 shows Liberty’s business units and annual
 2 expenses:

3 **Table 16: Liberty’s Recorded Head Office Expenses**

Liberty's Unallocated Head Office Expenses						
Year	2018	2019	2020	2021	2022	2023
APUC. ⁶⁰	10,434,863	14,286,146	18,315,020	22,046,319	24,873,710	25,196,239
LABS. ⁶¹ Business Service	7,763,438	9,550,633	9,773,405	8,661,079	13,918,397	13,147,447
LABS. ⁶² Corp Service	10,819,881	14,424,535	16,420,439	18,516,275	28,137,629	28,137,627
LUC. ⁶³	5,780,869	5,943,318	4,314,111	6,084,636	4,345,582	5,525,713
LABS. ⁶⁴ US	58,287	410,789.51	331,577	416,860	617,008	N/A
Total	34,857,338	44,615,421	49,154,553	55,725,169	71,892,325	72,007,026
Percent Change	N/A	28.0%	10.2%	13.4%	29.0%	0.2%

4
 5 Table 16 demonstrates that Liberty’s unallocated head office expenses increase
 6 steadily and significantly from year-to-year from \$34.8M in 2018 to \$72M in 2023. It is
 7 not reasonable for Liberty to include these increases and provide little to no justification
 8 in testimony. The Commission should require Liberty to justify specific increases in
 9 head office expenses in subsequent GRCs.

10 Liberty’s customers are already overburdened and already paying more than their
 11 fair share of allocated general office expenses. Liberty’s allocations are the second
 12 largest driver of Liberty’s proposed \$4M increases in TY 2025 general office allocations.

⁶⁰ A.24-01-002 and A.24-01-002, “HO25 APUC Expenses.xlsx”.

⁶¹ A.24-01-002 and A.24-01-002, “HO25 LABS Expenses.xlsx”.

⁶² A.24-01-002 and A.24-01-002, “HO25 LABS Expenses.xlsx”.

⁶³ A.24-01-002 and A.24-01-002, “HO25 LUC Expenses.xlsx”.

⁶⁴ A.24-01-002 and A.24-01-002, “GO25 Expenses.xlsx” at Tab “Expense Details”.

1 It does not make sense to forecast an unjustified increase in head office allocations when
2 Liberty customers are already paying more than necessary. The Commission should
3 deny Liberty’s forecast of its Head Office expenses.

4 The Commission should use a 5-year average of total general office expenses,
5 allocated by Liberty’s last allocation factor, escalated to TY 2025 to estimate the
6 expense, which is \$5,085,358 for Test Year 2025.

7 **3. Liberty’s Customer First Project Rate Base and**
8 **Depreciation and Maintenance Expenses**

9 Liberty’s estimate for TY 2025 general office rate base needs to be reduced
10 because recorded additions for Liberty’s Customer First Project were not reasonably
11 supported. The cost of the Customer First IT project was adopted its last GRC and
12 included in rates. The project was supposed to provide Liberty with an upgraded SAP
13 based IT system for \$16.2M. The Commission should reduce Liberty’s plant balances by
14 the amount that was unsupported. The following estimate of Liberty’s general office rate
15 base excludes Customer First project cost.

16 **Table 17: TY 2025 General Office Rate Base**

Test Year 2025 LABS - General Office Rate Base			
	Liberty	Cal Advocates	Difference
	(A)	(B)	A-B
Total	\$50,118,256 ⁶⁵	\$33,803,716	\$16,314,540

17
18 In Liberty’s last GRC, Liberty and Cal Advocates settled on Liberty’s then
19 proposed SAP/Customers First project. The Customer First upgrades were supposed to
20 provide an “enterprise-wide solution to legacy computer systems.” In this GRC, Liberty
21 states that the “Customer First” project was implemented in May 2023. A review of the
22 workpapers shows the full cost of the project was added to Park’s rate base in 2023.
23 Table 18 shows Liberty’s workpaper provided with the application.
24

⁶⁵ Liberty 100-day update of “GO25 RCBD.xlsx”.

1 **Table 18: Liberty’s Workpaper Showing Additions to GO Rate Base.**

24	OFFICE MACHINERY	372	39110	0	0
25	TRANSPORTATION EQUIPMENT	373	392	0	0
26	LABORATORY EQUIPMENT	395	395	0	0
27	COMMUNICATION EQUIPMENT	376	397	0	2,300
28	TELEMETRY EQUIPMENT	376	39710	0	0
29	POWER OPERATED EQUIPMENT	377	396	0	0
30	TOOLS, SHOP, GARAGE EQUIPMENT	378	394	0	0
31	COMPUTER EQUIPMENT - SYSTEM	372	398	145,223	3,163,125
32	COMPUTER EQUIPMENT - DESKTOP	372	39830	0	0
33	COMPUTER EQUIPMENT - SOFTWARE	372	39840	18,454,826	0
34	TOTALS (CAPITAL BUDGET AMOUNT)			18,600,906	3,165,425
35					
36					

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Cal Advocates asked Liberty to provide a breakdown and support of the \$18.4M costs. Liberty had \$18.6M in total additions in 2023 and another \$3.2M in 2024. These additions, specifically the \$18.4M for software in 2023, are the primary increase in Liberty’s General Office Rate base. Cal Advocates requested a breakdown of project costs and justification. Liberty provided the following response:

9

10 **Figure 5: Excerpt from Liberty’s Response to Cal Advocates Data Request RK-014**

REQUEST NO. 2:

Regarding the Customer First Project, D.23-03-003 allowed \$16,193,308 in 2023 for customer first project costs. In the current rate case Liberty’s workpaper “GO25 RBCD” at Tab “GO Plant-Additions”, Cell G33 shows \$18,454,826 in additions to Computer Software in 2023, a \$2,261,518 difference.

- Provide a line-item summary of costs for the original estimated \$16,193,308 and for the recorded \$18,454,826.
- Provide justification for the \$2,261,518 in excess plant additions.
- Provide support for the recorded \$18,454,826

RESPONSE:

- The amount of \$18,454,826 consists of an estimated amount of \$16,200,000 for Customer First and a total budget amount of \$80,574 for miscellaneous application and software upgrades in 2023, and year-end 2022 construction work in progress (CWIP) of \$2,174,251. Due to a formula error, the total 2022 CWIP balance should be \$2,334,961. The 2023 estimated amounts will be updated to recorded and provided to Staff on April 11, 2024 as allowed for in the rate case plan (RCP). Please see the attachment with preface Q2a for the detailed description of the projects for 2022 and 2023.
- Please see the response to Questions 2a and 2b.

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11

12

⁶⁶ A.24-01-002 and A.24-01-003, “GO25 RCBD.xlsx”.

⁶⁷ Liberty’s Response to Cal Advocate Data Request RK-014, Q2.

1 Figure 5 shows Liberty admitting that \$16.2M in plant additions presented in 2023
2 accounts are estimates, not recorded plant expenditures. The response also states
3 estimated amounts would be updated in Liberty’s 100-day update. Cal Advocates issued
4 a follow-up data request to ask for more Customer First Project information. The
5 information requested was a breakdown of adopted project costs, recorded project costs,
6 and invoice support for project costs. Figure 6 is an excerpt from Cal Advocates data
7 request:

8
9 **Figure 6: Excerpt from Liberty’s Response to Cal Advocates Data Request RK-019**

RESPONSE:

a) The authorized amount of \$16,193,308 was an estimated total amount agreed upon between Cal Advocates and Liberty as a whole for the Customer First project. As such, there’s no line-item breakdown of that estimated amount.
Liberty’s 2023 books are not closed as year-end accounting close procedures are ongoing; therefore, the 2023 data is not available. Liberty will provide the recorded costs data through 2023 as soon as they become available.

b) Please see the response to Question 1a.
c) Please see the response to Question 1a.
d) During the preparation of the GRC application filing, the \$16,200,000 in 2023 was Liberty’s best estimate for the Customer First project. No quotes were provided.

This completes the response to Data Request No. 019-RK. If you have any questions, or require additional information, please contact me.

Sincerely,
LIBERTY UTILITIES (PARK WATER) CORP.

68

10
11
12 Figure 6 demonstrates that Liberty reaffirms \$16.1 was an estimate, no breakdown
13 exists, and that Liberty promises to provide recorded costs “as soon as they become
14 available.” Liberty filed its 100-day update on April 11, 2024. Liberty updated its
15 recorded amounts for 2023. Figure 7 shows Liberty’s 100-day updated workpapers.
16

⁶⁸ Liberty’s Response to Cal Advocates Data Request RK-019, Q1.

1 **Figure 7: Liberty’s 100 Day Update Workpapers for GO Plant Additions**

E32				
16314540.01				
	A	B	C	E
14	324	320	PUMPING OTHER EQUIPMENT	-
15	332	332	W.T. EQUIPMENT	-
16	342	342	T & D RESERVOIRS, TANKS	-
17	343	343	T & D MAINS	-
18	345	345	T & D SERVICES	-
19	346	346	T & D METERS	-
20	348	348	T & D HYDRANTS	-
21	371	390	GENERAL STRUCTURES & IMPROVEMENTS	-
22	372	391	OFFICE FURNITURE & EQUIPMENT	-
23	372	39110	OFFICE MACHINERY	-
24	373	392	TRANSPORTATION EQUIPMENT	-
25	395	395	LABORATORY EQUIPMENT	-
26	376	397	COMMUNICATION EQUIPMENT	-
27	376	39710	TELEMETRY EQUIPMENT	-
28	377	396	POWER OPERATED EQUIPMENT	-
29	378	394	TOOLS, SHOP, GARAGE EQUIPMENT	-
30	372	398	COMPUTER EQUIPMENT	-
31	372	39830	SOFTWARE	-
32	372	39840	SOFTWARE	16,314,540
33				16,314,540
34				
35				

2 69

3
4 Figure 7 demonstrates that Liberty revised its software costs to \$16.3M in 2023.

5 Cal Advocates asked for Liberty to provide support for the \$16.3M. Liberty provided a
6 transaction analysis, a summary and supporting invoices:

7

⁶⁹ Liberty’s 100-day update to “GO25 RCBD.xlsx”.

1
2

Figure 8: Excerpt from Liberty's Transaction Analysis
<< Begin Confidential >>



3
4

<< End Confidential >>

5 Figure 8 shows the type of information Liberty's transaction analysis provides.
6 The report says little about the cost, certainly not enough to determine the reasonableness
7 of the expense. Furthermore, the expense is accrued meaning it was not actually paid,
8 just recorded in Liberty's books. Below are the summary details Liberty provided:

⁷⁰ Liberty's supplemental response to Cal Advocates Data Request RK-019, Attachment "Transaction Analysis.xlsx". Cal Advocates had to follow-up with an email to get the information from Liberty.

1 **Figure 9 Summary Details of Liberty’s 2023 Customer First Project Costs**

7	Labor-External		14,504,279.00	
8	Labor-Internal		35,323.16	
9	Other Direct Costs		487,800.96	
10	Overheads		1,287,136.89	
11	Grand Total		16,314,540.01	
12				
13				
14				
15				
16				
17	6,734,337.00	AVR C1 Invoice		
18	7,769,942.00	PW C1 Invoice		
19	14,504,279.00			
20				
21				
22	487,800.95	C1 In service -All companies spreadsheet		
23	(232,271.68)	Total C1 - AVR		
24	720,072.63	Total C1 - Park		<u>71</u>

2
3
4 Figure 9 provides Liberty’s summary information about the project. The summary
5 shows a high-level breakdown of costs, but again no details. For example, Liberty’s
6 external labor shows \$14.5M, but includes no supporting consultant invoices to help
7 explain why that amount is reasonable. As referenced in the summary details, Liberty
8 also provided some invoices. Unfortunately, these invoices are from Liberty to itself and
9 contain no details on the work performed. Figure 10 shows one of the invoices Liberty
10 provides as support:

⁷¹ Liberty’s supplemental response to Cal Advocates Data Request RK-019, Attachment “Support Summary Details.xlsx”.

1 **Figure 10: Liberty’s Customer First Project Invoice to Park Water.**

Sales / Invoices CAPITALBILLAPR23 Date 4/28/2023	
Liberty Utilities Central Shared Services Co. 354 Davis Road Oakville ON L6J 2X1	
Customer:	Park Water
Customer ID	20-2810-2079
8880-Park Water	
Description	Amount
Capital Billing April 2023: Customer First Foundation In-Service	US\$ 7,769,942.00
Subtotal US\$ 7,769,942.00 Misc \$0.00 Tax 0.00 Freight \$0.00 Trade Discount \$0.00 Payment \$0.00 Total Due US\$ 7,769,942.00	

72

2

3

4 Figure 10 shows Liberty’s invoice to Park for its Customer First project. Liberty’s

5 invoice to itself includes no details on the work performed, such as the hours spent, the

6 hourly rates, the scope of the project, or any other evidence that could be used to assess

7 the reasonableness of the charges. Did Liberty’s stated project costs result in any used or

8 useful assets? What exactly does customer first foundation in-service mean? Was this

9 the total external labor for Liberty’s customer first project? Did Liberty’s parent

10 company spend the entire lump sum without much, if any, benefit to Park? The invoice

11 does not provide many useful details.

⁷² Liberty’s supplemental response to Cal Advocates Data Request RK-019, Attachment “PW C1 Invoice.pdf”.

1 Instead, Liberty charges itself a lump-sum amount of \$7,769,942. The
2 Commission should not allow Liberty to include \$7,769,942 in rate base with little
3 support for the reasonableness of this costs. This \$7,769,942 lump sum is even more
4 questionable when considering Cal Advocates had to submit multiple Data Requests over
5 the course of seven weeks (March 1, 2024, to April 25, 2024) before Liberty finally
6 submitted a self-generated invoice from one area of Liberty’s to another area of Liberty’s
7 operations.

8 Because Liberty’s Customer First project costs are unsupported, the Commission
9 should find it reasonable to use an alternate forecast to project Liberty’s TY 2025 IT rate
10 base. The Commission should exclude Liberty’s Customer First project costs from rate
11 base until Liberty can reasonably support their expenditures with a breakdown justifying
12 the costs, such as genuine vendor invoices, and the Commission can review the charges
13 for reasonableness. The Commission should also remove \$976,366 in depreciation
14 expense and \$774,548 in maintenance costs related to Liberty’s Customer First projects.

15 **IV. CONCLUSION**

16 The Commission should deny Liberty’s forecast by adopting the recommendations
17 contained in this chapter, which reduces Liberty’s total parent company allocation to Park
18 and Apple Valley to \$5M from \$12.1M and general office rate base to \$32M from \$49M
19 in TY 2025.

20

1
2

LIST OF ATTACHMENTS
(see Appendix B)

Document Name	Public Information	Contains Confidential Information
Liberty's Response to Cal Advocates Data Request RK-002	X	
Liberty's Response to Cal Advocates Data Request RK-007	X	
Liberty's Response to Cal Advocates Data Request RK-011	X	
Liberty's Response to Cal Advocates Data Request RK-014	X	
Liberty's Response to Cal Advocates Data Request RK-019	X	
Liberty's Response to Cal Advocates Data Request RK-030	X	
Liberty's Response to Cal Advocates Data Request RK-031	X	
Liberty's Response to Cal Advocates Data Request RK-034	X	
Liberty's Response to Cal Advocates Data Request RK-038	X	

3

APPENIDX A
QUALIFICATIONS OF WITNESSES

APPENDIX B

LIST OF ATTACHMENTS

Document Name	Public Information	Contains Confidential Information
Liberty's Response to Cal Advocates Data Request RK-002	X	
Liberty's Response to Cal Advocates Data Request RK-007	X	
Liberty's Response to Cal Advocates Data Request RK-011	X	
Liberty's Response to Cal Advocates Data Request RK-014	X	
Liberty's Response to Cal Advocates Data Request RK-019	X	
Liberty's Response to Cal Advocates Data Request RK-030	X	
Liberty's Response to Cal Advocates Data Request RK-031	X	
Liberty's Response to Cal Advocates Data Request RK-034	X	
Liberty's Response to Cal Advocates Data Request RK-038	X	

**Liberty's Response to Cal Advocates
Data Request RK-002**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

February 6, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.
A.24-01-002
LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.
A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: RK-002 (Organization Structure)
Requesting Party: Public Advocates Office
Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov
Peter Chau Peter.Chau@cpuc.ca.gov
Roy Keowen Roy.Keowen@cpuc.ca.gov

Date Received: January 30, 2024

Due Date: February 6, 2024

Refer to A.24-01-002 and A.24-01-003, Exhibit C, General Office pp.1-10 regarding Liberty Park and Liberty Apple Valley's (Applicant's) organizational structure for the following questions:

REQUEST NO. 1:

Refer to D.15-12-029. Ordering Paragraph No. 2 states “The Application should be conditionally approved and the conditions of our approval should be the 26 Regulatory Commitments set forth in the Agreement.” Condition No.15 of the 26 Regulatory Commitments states “The transfer of ownership and control will not adversely affect Park and AVR’s provision of regulated water service to customers, or practices related to operations, financing, accounting, capitalization, rates, depreciation, maintenance or other matters relating to the public interest or utility operations.”

Have the Applicants performed analysis to determine if the current organization structure complies with the Condition No.15 of the Agreement?

- a) If yes, provide the analysis (including supporting documentation to substantiate assumptions and calculations) and explain the analysis.
- b) If no, how do the applicants know the acquisition has not adversely affected ratepayers as it relates to general overhead expense allocations in this rate case?

RESPONSE:

Liberty regularly analyzes operations at both utilities and explores way to enhance efficiency of those operations. This includes reviews and evaluations of its organizational structure, business needs, and workload requirements by function to identify efficiencies in its resource plan. For example, in Liberty’s last GRC (D.23-02-003), a total of nine positions from both utilities were repurposed to the west region shared service group resulting in approximately 27.70%¹ of the costs associated with the nine positions being allocated to both utilities as opposed to 100% being absorbed by both utilities. By repurposing these positions, Liberty was able to achieve efficiencies and economies of scale. In this GRC, despite inflationary and supply chain pressures, Liberty’s efforts have helped mitigate increases to its labor and labor-related costs² while maintaining a high level of customer service³.

¹ Consistent with the authorized Cost Allocation Manual (CAM), See Section 1 of the General Office Workpapers.

² Exhibit C, General Office Report, Chapter III, at pages 18 through 23.

³ Exhibit B, Park Revenue Requirement Report, Chapter II, F. Public Relations, at pages 11 through 12. Exhibit B, AVR Revenue Requirement Report, Chapter II, H. Public Relations, at pages 13 through 14.

REQUEST NO. 2:

Provide copies of the shared-services agreements for each entity providing services for the Applicants.

RESPONSE:

Please see the attachments with preface Q2.

This completes the response to Data Request No. RK-002. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

Attachments

**Liberty's Response to Cal Advocates
Data Request RK-007**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

February 16, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.

A.24-01-002

LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.

A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: RK-007 (GO Labor Expenses)
Requesting Party: Public Advocates Office
Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov
Peter Chau Peter.Chau@cpuc.ca.gov
Roy Keowen Roy.Keowen@cpuc.ca.gov

Date Received: February 6, 2024

Due Date: February 16, 2024

Refer to A.24-01-002 and A.24-01-003, Exhibit C, General Office pp.11.20 regarding Liberty Park and Liberty Apple Valley's (Applicant's) labor expenses and head count:

REQUEST NO. 1:

Refer to [Begin Confidential] GO25 2025 Payroll CONFIDENTIAL.xlsx, Tab "PR Calc" at Column H for merit increases, which shows 4%. What is the basis for the 4%? Provide an explanation and support to substantiate the assumption. [End Confidential]

RESPONSE:

The merit increase was based on the 4% merit increase granted in 2023.

REQUEST NO. 2:

Refer to [Begin Confidential] GO25 2025 Payroll CONFIDENTIAL.xlsx, Tab "PR Calc" at Column I for titled "STIP%" and Column J for "LTIP". Provide the requirements each employee must achieve in order to qualify for STIP and LTIP by completing the following table:

Job Title	Ref#	STIP Goals	LTIP Goals
Coordinator I, Water Efficiency	1		
Program Manager I, Water Efficiency	2		
Manager, Supply Chain	3		
...	...		

Please complete the table for each of the 75 positions shown in the GO workpaper. Provide the response in MS Excel format. [End Confidential]

RESPONSE:

Please see the attachment with preface Q2

REQUEST NO. 3:

For the 12 new positions requested in this GRC:

- a) What is the justification for each new position?
- b) Has a cost/benefit analysis been performed for the new positions requested?
- c) If yes, to 3(b) please provide the analysis, an explanation of the analysis, and support to substantiate the cost/benefit analysis.
- d) Have any time studies been performed for each of the new positions?
- e) If yes provide the time studies and an explanation for the time studies and support to substantiate the time studies.

RESPONSE:

- a) As described in Chapter III of the Exhibit C General Office Report, these additional positions are reasonable and necessary to continue provide safe and reliable service. Below are the new positions and responsibilities.

Customer Experience

The position of Senior Manager, Customer Solutions is accountable for the Key Accounts

customer experience execution, to meet annual goals for outstanding service, growth and retention for our Key Accounts. This position is accountable for identifying, analyzing and managing risk and team performance in meeting established regional goals and improving business processes. In addition, this position leads the Water Conservation team for the region with accountability to create and implement programs and services to meet both regulatory and internal targets while delivering a strong customer experience. This is a regional position and only 15.49% and 12.40% of this position's costs are forecasted to be allocated to Park Water and Apple Valley, respectively.

Supply Chain

The authorized position of Diversity Coordinator (previously supporting California operations) was repurposed to Program Manager II, Supplier Diversity supporting the West region and does not constitute an increase in headcount. In fact, because this position has been repurposed to a regional position, only 15.49% and 12.40% of this position's costs are forecasted to be allocated to Park Water and Apple Valley, respectively. This position is responsible for overseeing the Company's compliance with CPUC General Order 156 (GO156) and supplier diversity program for the West region. The position is responsible for the development and implementation of programs to improve the number of participants in the Company's supplier diversity program.

The position of Analyst, Supplier Diversity will be reporting to the Program Manager II. This position is necessary to support the growth of the supplier diversity program and increased outreach required to meet the goals of GO156. This position is responsible for gathering and maintaining metrics and data to measure impact of all aspects of Company's supplier diversity initiatives; identifying patterns, trends, and gaps that could inform discussion regarding future diversity initiatives; reporting and analyzing data relating to diversity spend, supplier performance, and progress towards diversity and procurement. This position supports the California Operations and 23.94% and 19.00% of this position's costs are forecasted to be allocated to Park Water and Apple Valley, respectively.

The position of Buyer III is responsible for sourcing and evaluating regional suppliers, negotiations, preparing and processing requisitions and purchase orders for the procurement of operation materials, office supplies, equipment, inventory items, services and supplies for customer-related business processes, implementing regional strategies for cost reduction, supplier consolidation, quality improvements and process efficiencies.

The position of Manager, Supply Chain is accountable for planning, executing and controlling all of the procurement, warehousing, fleet, facilities activities for their assigned operations. This includes analyzing current procurement processes, identifying gaps and developing and executing a procurement strategy focused on significantly reducing costs, while maximizing efficiency. Responsible for negotiating and executing agreements that support the operational and corporate objectives of the organization.

The position of Manager, Fleet is accountable for managing the west region fleet and facilities activities. This includes developing and implementing fleet and facilities policies, procedures, and processes, supporting the execution of the company strategy. Responsible for managing contracts with vendors in support of fleet and facilities. Supports the design specifications for vehicle requisitions as well as making sure that corporate standards are created and followed. This role will oversee the fleet team with management and maintenance of vehicles and equipment, including maintaining and providing reporting on all safety procedures relating to vehicles.

The Buyer III, Manager, Supply Chain and Manager, Fleet positions support the West region and only 15.49% and 12.40% of their costs are forecasted to be allocated to Park Water and Apple Valley, respectively.

Human Resources (HR)

The position of Human Resources Generalist I is responsible for a broad range of support to the HR Leadership with coordinating all day-to-day HR activities including policy and program management, recruitment, health, and welfare benefits, communication and employee relations in efforts to establish business partnership. This position also works closely with all departments to provide effective guidance and support to verify policies, procedures and reporting are in compliance with federal, state, and local laws.

The position of Manager, Human Resources is accountable for the day-to-day HR management of company programs and implementation of strategic initiatives; supporting both field and office employees.

The HR positions noted above support the California Operations and 23.94% and 19.00% of their costs are allocated to Park Water and Apple Valley, respectively.

Environmental Health & Safety (EHS)

The position of Coordinator II, EHS is responsible for EHS communications, manages compliance requirements with regards to driver files. This position also assists with

training content development, scheduling training, and training documentation as well as updating policies, event reporting system management, managing corrective actions, developing data trending and presentations to communicate these trends.

The position of Specialist, Regional Security is responsible for implementing the corporate security framework to verify physical security risks are appropriately addressed, recorded, and managed within the West Region businesses. This position is also responsible for engaging with the businesses in identifying security risks, verifying they are logged in the appropriate risk registers and measures are put in place to mitigate such risks.

The EHS positions noted above support the West region and only 15.49% and 12.40% of the costs are allocated to Park Water and Apple Valley, respectively.

Water Efficiency

The Water Efficiency department requests two new positions to assist with the proposed regulatory framework by the State Water Board, Make Conservation a California Way of Life. These two new positions are required to be in compliance with the regulations when adopted for the California Water operations.

The position of Program Manager, Water Efficiency is primarily responsible for commercial water efficiency programs, commercial best management practices, water efficiency events, education, and outreach. This position coordinates commercial water efficiency programs and workshops. This position will support the outreach, planning, implementation and reporting of the Company's drought and water efficiency programs to its commercial water customers in the California Water territory. This position is responsible for exploring innovative solutions to support our commercial customers.

The position of Coordinator, Water Efficiency will support the outreach, planning, implementation and reporting of the Company's drought and water efficiency programs to its commercial water customers in the California Water territory. This position is responsible for exploring innovative solutions to support our commercial customers. The Coordinator assists numerous projects simultaneously and works closely with various internal departments, implementation support vendors, utility partners and external stakeholders, as well as provides administrative support to the department.

Finance

The Finance department requests five additional positions required to manage workload

for the Finance department. The five new positions are primarily Analyst and Accountant positions who support all the entities across West Region. The following areas are driving the need for the additional resources: pension accounting, cash accounting, regulatory revenue accounting, indirect taxes, and month end reporting for capital and variance analysis. These functions are necessary to support Management, Regulatory, Compliance, Operations, and Engineering departments.

The accountant positions are responsible for financial close activities, analyzing and reconciling balance sheet accounts, accounting for fixed assets, budgets and forecasting.

The analyst positions provide comprehensive analysis of the financial results, explaining variances in actual results; financial analysis and forecasting support for ad hoc projects as well as assist with yearly budget and internal and external audits.

All the requested Finance positions support the West region and only 15.49% and 12.40% of the costs are allocated to Park Water and Apple Valley, respectively.

- b) No.
- c) Not applicable.
- d) No.
- e) Not applicable.

This completes the response to Data Request No. RK-007. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

Attachment

**Liberty's Response to Cal Advocates
Data Request RK-011**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

March 6, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.

A.24-01-002

LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.

A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: 011-RK (General Office Labor Expenses Follow-Up 1)

Requesting Party: Public Advocates Office

Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov

Peter Chau Peter.Chau@cpuc.ca.gov

Roy Keowen Roy.Keowen@cpuc.ca.gov

Date Received: February 28, 2024

Due Date: March 6, 2024

Refer to A.24-01-002 and A.24-01-003, Exhibit C, General Office pp.11 to 20 regarding Liberty Park and Liberty Apple Valley's (Applicant's) labor expenses and head count:

REQUEST NO. 1:

State the total of number of General Office employees, by month, for the past 5 years (2018-2022). Provide the response in MS excel format.

RESPONSE:

Liberty is providing monthly employee headcount figures for 2022 and 2023, as the organizational structure in 2021 and prior does not reflect the current structure for General Office. Please see the attachment with preface Q1.

REQUEST NO. 2:

Refer to Liberty's response to Data Request RK2-007, Excel Attachment "Q2 007-RK Incentives.xlsx" at Column F for short-term incentive-program (STIP) goals which Liberty Generally responds with "Individual Achievement + Scorecard."

- a) For each employee, state the specific goals which must be achieved.
- b) For each employee, please provide the details of the balanced scorecard and explain how it affects STIP.
- c) State the number of employees which achieved their STIP goals for the, by year, past 5-years (2018-2022).

RESPONSE:

- a) Employees in a leadership level position (manager and above) are eligible to participate in the Short-Term Incentive Plan ("STIP") while the employees who are in a non-leadership level position are eligible to participate in the Shared Bonus Pool ("SBP"). Both STIP and SBP awards are based on parent, regional, and individual achievements. Please see the attachments with preface Q2a for the detailed description and criteria of the bonus programs. Employee goals are set annually with input from their Managers. While individual specific goals vary by employee, they are generally in alignment with the parent and regional scorecards.
- b) Please see the attachments with preface Q2b for the parent and regional scorecard results. Additionally, refer to attachments with preface Q2a for a description of scorecard weighting and impact on STIP and SBP.
- c) Only one of the employees did not achieve their personal goals for year 2022. In 2023, two of the employees did not achieve their personal goals. Since the STIP and SBP are based on the weighting of the parent scorecard, regional scorecard, and personal goals, employees who did not achieve their personal goals would be granted bonus at a reduced payout rate. As indicated in response to Q1, the 2021 and prior data is not available as the prior structure does not reflect the current structure for General Office.

REQUEST NO. 3:

Refer to Liberty's response to Data Request RK2-007, Excel Attachment "Q2 007-RK Incentives.xlsx" at Colum G for long-term incentive-program (LTIP) goals which Liberty Generally responds with "Individual Achievement + Scorecard."

- a) For each employee, state the specific goals which must be achieved.
- b) For each employee, please provide the details of the balanced scorecard and explain how it affects LTIP.
- c) State the number of employees which achieved their LTIP goals for the, by year, past 5-years (2018-2022).

RESPONSE:

Liberty's forecasted labor and benefit expenses does not include LTIP costs; therefore, no response is provided.

REQUEST NO. 4:

Refer to "GO 2025 Payroll CONFIDENTIAL.xlsx" at Tab "PR Calc"

- a) Identify which positions are the 17 new positions described on pp.18-20 of Exhibit C.
- b) Identify which positions were hired 2022.
- c) Identify which positions were hired in 2023.
- d) Identify which positions were authorized in the last GRC decision.
- e) For new positions requested in this rate case, identify expected cost savings that may result from hiring the new positions.
- f) For the expected cost savings identified Q.4(e), provide estimated dollar amount, an expected timeframe for savings, and describe how the savings will be reflected in customer rates going forward.
- g) For the expected cost savings identified Q.4(e), specify where in the current rate case's results of operation (RO) model (including cell references) these savings are reflected.

RESPONSE:

- a) Please see the attachment with preface Q1, Column F.
- b) Please see the attachment with preface Q1, Column G.
- c) Please see the attachment with preface Q1, Column G.
- d) Please see the attachment with preface Q1, Column F.
- e) Liberty regularly reviews and evaluates its organizational structure, business needs, and workload requirements by function to identify efficiencies in its resource plan. Customers have experienced benefits since Liberty assumed ownership of Liberty Park and Liberty AV's systems. The following tables compare the total number of positions and associated payroll costs before and after Liberty's ownership. The data illustrates an increase of 24 positions overall, yet there's a substantial cost reduction of \$9.1 million dollars in associated payroll costs across both systems. Although the GO CA Elec & Water and GO West Region show an increase of 10 and 62 positions, only about 42.94% and 27.89% of the costs associated with these positions are allocated to Liberty AV and Liberty Park-CB. This underscores Liberty's commitment to efficiency and cost-effectiveness in its resource planning initiatives.

Table 1 – Number of Positions

	Pre-Liberty	2025 Proposed	Increase/(Decrease)
Liberty AV	44	38	(6)
Liberty Park-CB	49	39	(10)
GO CA Water	34	9	(25)
GO CA Elec & Water		10	10
GO West Region		52	52
GO West Water		3	3
Total	127	151	24

Table 2 – Payroll and Payroll Related Costs

	Pre-Liberty	2025 Proposed	Increase/(Decrease)
Liberty AV	\$7,235,542	\$4,771,739	(\$2,463,803)
Liberty Park-CB	\$9,719,741	\$5,676,228	(\$4,043,513)
GO-Allocated	\$7,652,125	\$5,018,754	(\$2,633,371)
Total	\$24,607,408	\$15,466,721	(\$9,140,687)

Please see the attachment with preface Q4e for the development of Table 2.

- f) Please see the response to Question 4e.
- g) Please see the response to Question 4e.

REQUEST NO. 5:

Refer to “GO Expenses.xlsx”:

- a) Provide a breakdown of recorded labor expenses for 2022. Provide the response in a format similar to the format presented in Liberty’s other payroll excel files such as “GO 2025 Payroll CONFIDENTIAL.xlsx”
- b) Refer to Tab “Sum CY-Recorded” at Cell Y15 which shows \$2,796,716 for A&G Payroll in 2022. Then refer to tab “Sum CY-Est at cell U15 which shows \$10,884,294 in 2024. Provide justification and support for the \$8,087,578 increase in A&G Payroll expenses between 2022 and 2024.

RESPONSE:

- a) The 2022 recorded labor breakdown in the format requested is unavailable. Liberty provides the total gross wages paid by position in 2022. Please see attachment with preface Q5a.
- b) Liberty’s 2025 labor forecast, which includes bonuses, employee benefits, workers’ compensation insurance, and payroll taxes, is developed as a whole for the region and allocate based on the Cost Allocation Manual (CAM). Therefore, the comparison between 2025 forecast and 2022 recorded should be based on the net 2025 allocated amount of \$5,018,754 (see response to Question 4e, Table 2) and the total 2022 amount of \$4,740,579, including employee benefits, workers’ compensation insurance, payroll taxes, and west region allocation. This shows an increase of \$278,175 or 6%, which is

Liberty's
Data Request No. 011-RK

March 6, 2024
Page 6

2% increase annually, comparing the 2025 forecast to the 2022 recorded. Please see the attachment with preface Q5b for the development of 2022.

This completes the response to Data Request No. 011-RK. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

Attachments

**Liberty's Response to Cal Advocates
Data Request RK-014**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

March 8, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.
A.24-01-002

LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.
A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: 014-RK (General Office IT Plant)
Requesting Party: Public Advocates Office
Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov
Peter Chau Peter.Chau@cpuc.ca.gov
Roy Keowen Roy.Keowen@cpuc.ca.gov

Date Received: March 1, 2024

Due Date: March 8, 2024

Refer to A.24-01-002 and A.24-01-003, Exhibit C, General Office p.24 regarding Liberty Park and Liberty Apple Valley's (Applicant's) IT System Maintenance Costs.

REQUEST NO. 1:

Page 24 states "The Customer First project was implemented for Liberty Apple Valley and Liberty Park Water in May 2023. On an annual basis, the California Water Operations will receive their allocated share of operating and maintenance expenses related to Customer First which will include, but is not limited to, annual support fees, software maintenance, hosting, and managed services. Thus, these costs were developed based on estimated allocation of the Customer First O&M expenses."

- a) Provide a line-item cost summary of proposed IT maintenance expenses for Test Year 2025.
- b) Provide justification for each expense identified in Q.1(a).
- c) Identify and support the assumptions used to project each expense identified in Q.1(a).

RESPONSE:

- a) Please see the attachment with preface Q1a.
- b) For Customer First related maintenance costs, please see response to Data Request 008-RK, Question 7.

Cybersecurity

Algonquin Power & Utilities Corp.'s ("APUC") Cybersecurity Program is a 5-year (2022-2027) enterprise initiative to implement and improve cybersecurity capabilities across the enterprise to adequately defend threats to corporate systems, data, and operational assets (the "Program"). The Program is comprised of a mix of resources that includes hardware, software, and services. The Program investments include capital expenditures used for implementing new and/or improved software or technology platforms, security controls and cybersecurity capabilities. The total Program capital investment budget is approximately \$123.3 million. Liberty Apple Valley and Liberty Park's allocated share of the enterprise costs is approximately \$4.84 million for years 2024 to 2027. The enterprise cybersecurity OpEx costs start in 2024 and increase during the five year Program deployment. Apple Valley and Park's allocated share of the OpEx is an average of \$330,000/year. OpEx costs comprise of ongoing maintenance and support for the deployed projects (e.g., licensing fees, maintenance, hosting and cloud service fees). The capital and OpEx are incurred on a company-wide basis and allocate using the APUC CAM.

Other IT Related Maintenance Costs

These costs primary consist of communications, computer software, and internet support services. The category of communications includes Interactive Voice Response (IVR), network, Corporate wide area network (WAN), WAN connectivity, cell phone licensing, and cellular WAN. Computer software consists of licensing, subscription, Geographic Information System (GIS), etc. Please see the attachment "Q1c 014-RK Oth IT Related". This provides the vendor, purpose, and amount of each cost item.

- c) Post-implementation operating costs were identified for all of the Customer First projects: Foundations, e-Customer, Procure to Pay and Employee Central, and Network Design.
 - a. Foundations: The opex consists of three types of costs: (i) IBM hosting costs which are IBM's cost for hosting all the applications and environments related to Foundations; Application Management Services ("AMS") is IBM's cost to

support Foundations workstreams (i.e., ERP, CIS and EAM); and software charges for post implementation maintenance, hosting and Saas charges associated with Foundations software solutions. The determination of the yearly opex costs is based on the Foundations release/deployment schedule.

- b. E-Customer: includes MYAccount SEW and Kubra application costs
- c. Procure to Pay & Employee Central: The opex costs are annual post implementation SAP software maintenance contracts.
- d. Network Design: OpEx includes expected GIS support services from vendors such as Cyient, ESRI, Citrix, along with application support labor and cloud infrastructure.

REQUEST NO. 2:

Regarding the Customer First Project, D.23-03-003 allowed \$16,193,308 in 2023 for customer first project costs. In the current rate case Liberty's workpaper "GO25 RBCD" at Tab "GO Plant-Additions", Cell G33 shows \$18,454,826 in additions to Computer Software in 2023, a \$2,261,518 difference.

- a) Provide a line-item summary of costs for the original estimated \$16,193,308 and for the recorded \$18,454,826.
- b) Provide justification for the \$2,261,518 in excess plant additions.
- c) Provide support for the recorded \$18,454,826

RESPONSE:

- a) The amount of \$18,454,826 consists of an estimated amount of \$16,200,000 for Customer First and a total budget amount of \$80,574 for miscellaneous application and software upgrades in 2023, and year-end 2022 construction work in progress (CWIP) of \$2,174,251. Due to a formula error, the total 2022 CWIP balance should be \$2,334,961. The 2023 estimated amounts will be updated to recorded and provided to Staff on April 11, 2024 as allowed for in the rate case plan (RCP). Please see the attachment with preface Q2a for the detailed description of the projects for 2022 and 2023.
- b) Please see the response to Questions 2a and 2b.
- c) Please see the attachment with the preface Q2c for the transaction analysis of the projects that were in 2022 CWIP balance.

REQUEST NO. 3:

Refer to "GO25 RBCD" at Tab "GO Plant-Additions" Line 31.

- a) Provide a line-item summary of costs for the \$145,223 shown in cell G31.
- b) Provide the straight-line depreciation schedule for the each of assets being replaced by additions shown in cell G31.
- c) Provide a line-item summary of costs for the \$3,163,125 shown in cell H31.
- d) Provide the straight-line depreciation schedule for the each of assets being replaced by additions in cell H31.
- e) Provide a line-item summary of costs for the \$3,244,163 shown in cell I31.
- f) Provide the straight-line depreciation schedule for the each of assets being replaced by additions in cell I31.

RESPONSE:

- a) The total amount of \$145,223 includes the year-end 2022 CWIP balance and 2023 total budget of \$18,776. Please see the attachment with preface Q3 for the detailed description of each project.
- b) Please refer to GO25 RM Life, Tab "Depr Rates" cell R34.
- c) Please see the attachment with preface Q3c-f, Columns A through D.
- d) Please see the attachment with preface Q3c-f, Columns E through H.
- e) Please see the attachment with preface Q3c-f, Columns A through D.
- f) Please see the attachment with preface Q3c-f, Columns E through H.

Liberty's
Data Request No. 014-RK

March 8, 2024
Page 5

This completes the response to Data Request No. 014-RK. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

Attachments

**Liberty's Response to Cal Advocates
Data Request RK-019**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

March 25, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.
A.24-01-002
LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.
A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: 019-RK (Head Office Expenses)
Requesting Party: Public Advocates Office
Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov
Peter Chau Peter.Chau@cpuc.ca.gov
Roy Keowen (Roy.Keowen@cpuc.ca.gov)
Date Received: March 14, 2024
Due Date: March 21, 2024
Extension Granted: March 27, 2024

Refer to A.24-01-002 and A.24-01-003, Exhibit C, General Office p.24 regarding Liberty Park and Liberty Apple Valley's (Applicant's) IT System Maintenance Costs.

REQUEST NO. 1:

Refer to Liberty's Response to Cal Advocates Data Request 014 (General Office IT Plant). The response to Q2a states "The amount of \$18,454,826 consists of an estimated amount of \$16,200,000 for Customer First and a total budget amount of \$80,574 for miscellaneous application and software upgrades in 2023, and year-end 2022 construction work in progress (CWIP) of \$2,174,251. Due to a formula error, the total 2022 CWIP balance should be \$2,334,961. The 2023 estimated amounts will be updated to recorded and provided to Staff on April 11, 2024 as allowed for in the rate case plan (RCP). Please see the attachment with preface Q2a for the detailed description of the projects for 2022 and 2023."

- a) Provide a line-item breakdown of the original estimated \$16,193,308 along with the updated data.
- b) Provide a line-item breakdown of the recorded IT costs for 2023, as soon as it is available.
- c) Provide invoice support for recorded costs shown in Q1b.
- d) Provide quotes from SAP that state the cost for Customer First software will be \$16,200,000 in 2023.

RESPONSE:

- a) The authorized amount of \$16,193,308 was an estimated total amount agreed upon between Cal Advocates and Liberty as a whole for the Customer First project. As such, there's no line-item breakdown of that estimated amount.
Liberty's 2023 books are not closed as year-end accounting close procedures are ongoing; therefore, the 2023 data is not available. Liberty will provide the recorded costs data through 2023 as soon as they become available.
- b) Please see the response to Question 1a.
- c) Please see the response to Question 1a.
- d) During the preparation of the GRC application filing, the \$16,200,000 in 2023 was Liberty's best estimate for the Customer First project. No quotes were provided.

This completes the response to Data Request No. 019-RK. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

**Liberty's Response to Cal Advocates
Data Request RK-030**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

April 30, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.
A.24-01-002
LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.
A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: 030-RK (Payroll Taxes)
Requesting Party: Public Advocates Office
Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov
Peter Chau Peter.Chau@cpuc.ca.gov
Roy Keowen (Roy.Keowen@cpuc.ca.gov)
Date Received: April 23, 2024
Due Date: April 30, 2024

Refer to Liberty's, Exhibit C, Report on General on General Office Expenses and to Liberty's "GO 2025 Payroll CONFIDENTIAL.xlsx" workpaper:

REQUEST NO. 1:

Please provide a copy of Liberty Park's most recent payroll tax filing.

RESPONSE:

Please see the attachment with preface Q1 for Liberty Park's 4th Quarter 2023 payroll tax filing.

This completes the response to Data Request No. 030-RK. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

Attachment

**Liberty's Response to Cal Advocates
Data Request RK-031**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

April 30, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.
A.24-01-002
LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.
A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: 031-RK (Total Recorded GO Expenses)
Requesting Party: Public Advocates Office
Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov
Peter Chau Peter.Chau@cpuc.ca.gov
Roy Keowen (Roy.Keowen@cpuc.ca.gov)
Date Received: April 23, 2024
Due Date: April 30, 2024

Refer to Liberty's "GO25 Expenses.xlsx" workpaper:

REQUEST NO. 1:

Refer to Tab "Sum CY-Recorded" Cells U28 to Y28 which shows the total recorded general office expense from 2018 to 2022.

- a) Do these totals represent Liberty Park's total general office expense?
- b) Please provide the following recorded (not adopted by the Commission, actual recorded) annual expense data for Liberty Park Water by completing the following table:

	2018	2019	2020	2021	2022
Total Unallocated Expense					
Allocated to Park Water					
Allocated To Apple Valley Domestic					
Allocated to Apple Valley Irrigation					
Total Allocated Expenses					

RESPONSE:

- a) The totals represent the general office expenses, labor and non-labor (net of capital and direct charged) costs incurred by shared service groups inside of Liberty Park cost centers. In addition, the totals include the direct costs and allocated indirect costs from shared service groups such as APUC, LABS, LUC, and LUSC.

LUSC employs the majority of employees who are dedicated to regulated utilities. Direct and allocated costs from LUSC includes west region shared service cost centers outside of Liberty Park that provides support services to entities such as Liberty Park and Liberty Apple Valley. As such the totals include the allocated costs (labor and non-labor) of the west region shared services outside of Liberty Park.

- b) Please see the attachment with preface 1b for the summary of general office expenses.

This completes the response to Data Request No. 031-RK. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

Attachment

**Liberty's Response to Cal Advocates
Data Request RK-034**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

May 2, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.
A.24-01-002
LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.
A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: 034-RK (Negative GO Expenses)
Requesting Party: Public Advocates Office
Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov
Peter Chau Peter.Chau@cpuc.ca.gov
Roy Keowen (Roy.Keowen@cpuc.ca.gov)
Date Received: April 25, 2024
Due Date: May 2, 2024

Refer to Liberty's Response to Data Request SIB-001 attachment "Q5 SIB-001 GO Expenses 2018-2022.xlsx", at Tab "Data" (attached as "Attachment 1" to this Data Request #034-RK for convenience):

REQUEST NO. 1:

Does the information provided in this response represent the full transactional details for Liberty Park Water's General Office expenses?

RESPONSE:

The transactions represent Liberty Park General Office expenses, labor and non-labor costs (net of capital and direct charged) incurred by shared service groups inside of Liberty Park cost centers. In addition, the transactional details include the direct costs and allocated indirect costs from shared service groups such as APUC, LABS, LUC, and LUSC.

As indicated in the response to Question 1a of Data Request No. 031-RK, LUSC employs the majority of employees who are dedicated to regulated utilities. Direct and allocated indirect costs from LUSC includes west region shared service costs that are incurred in west region shared service cost centers set up outside of Liberty Park that provides support services to entities such as Liberty Park and Liberty Apple Valley. The indirect allocated costs from the LUSC west region shared services (also known as 8884 West) are recorded in general ledger (GL) Account 8806.9 West Region and allocate between Liberty Park and Liberty Apple Valley based on the California Water Cost Allocation Manual (CAM). Please see Cal Advocates' referenced Excel file attached to this data request "DR34-RK, Attachment 1 Q5 SIB-001 GO Expenses 2018-2022", tab "Pivot", line 311 for the indirect allocated costs from the west region shared services outside of Liberty Park.

REQUEST NO. 2:

Refer to the line for Audit & Income Taxes (Object Account 7200, Subsidiary Account 10), in the year 2020:

- a) State the reasons the expense is a negative.
- b) Provide support for the expense.

RESPONSE:

- a) The negative expense was primarily due to the true-up of prior years' accruals. Please see the attachment with preface Q2a for the general ledger (GL) transactions details.
- b) Please see the response to 2a above.

REQUEST NO. 3:

Refer to the line for Legal (Object Account 7200, Subsidiary Account 11), in the year 2022):

- a) State the reasons the expense is a negative.
- b) Provide support for the expense.

RESPONSE:

- a) The negative expense was primarily due to an overpayment of \$24,327.50 from prior year, posted on May 27, 2022. Please see the attachment with preface Q3a for the general ledger (GL) transactions details.
- b) Please see the response to 3a above.

REQUEST NO. 4:

Refer to the line for Non Service Pension Cost (Object Account 6650, Subsidiary Account 25), in the year 2018)

RESPONSE:

- a) The expense was based on the 2018 financial disclosure report, provided by the outside actuarial consultant. Please see the attachments with preface Q2a for the 2018 Financial Disclosure.
- b) Please see the response to 4a above.

This completes the response to Data Request No. 034-RK. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

Attachments

**Liberty's Response to Cal Advocates
Data Request RK-038**



Liberty Utilities (Park Water) Corp.
9750 Washburn Road
Downey, CA 90241-7002
Tel: 562-923-0711

May 13, 2024

DATA REQUEST RESPONSE

LIBERTY UTILITIES (PARK WATER) CORP.
A.24-01-002
LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.
A.24-01-003

Test Year 2025 General Rate Case

Data Request No.: 038-RK (Recorded and Projected Allocated Expense)
Requesting Party: Public Advocates Office
Originator: Suliman Ibrahim Suliman.Ibrahim@cpuc.ca.gov
Peter Chau Peter.Chau@cpuc.ca.gov
Roy Keowen (Roy.Keowen@cpuc.ca.gov)
Date Received: May 3, 2024
Due Date: May 10, 2024

Refer to Liberty's, Exhibit C, Report on General on General Office Expenses and to Liberty's "GO Expenses.xlsx" workpaper at Tabs "PW CY", "AVR Irr CY" and "AVR Dom CY" regarding Liberty General Office Expenses Allocations:

REQUEST NO. 1:

Please provide the following recorded (not adopted by the Commission, actual recorded) annual expense data for Liberty Park Water in 2023 and also Liberty's projected expense and allocation for 2024 and 2025 by completing the following table:

	2023	2024	2025
Total Unallocated Expense			
Allocated to Park Water			
Allocated To Apple Valley Domestic			
Allocated to Apple Valley Irrigation			
Total Allocated Expenses			

RESPONSE:

Please see the attachment with preface Q1.

In May 2023, Liberty implemented its new financial system, SAP. Consequently, there have been adjustments to various processes, including the allocation of shared services costs. One of the key process changes with the SAP implementation includes shared services indirect costs being allocated directly to Park Water Central Basin and Apple Valley based on the Cost Allocation Manual (CAM). Previously, indirect cost allocations from shared services were routed first through Park Water General Office ("GO") and then allocated to Park Water Central Basin and Apple Valley based on the CAM. While the process change results in lower Park GO costs, there is no impact to cost allocations recorded in Park Water Central Basin and Apple Valley. For comparison purposes, the 2023 total unallocated expenses are developed based on the same basis (total gross costs before allocation) as the forecasted amounts for years 2024 and 2025.

This completes the response to Data Request No. 038-RK. If you have any questions, or require additional information, please contact me.

Sincerely,

LIBERTY UTILITIES (PARK WATER) CORP.

/s/ Tiffany Thong

TIFFANY THONG
Manager, Rates and Regulatory Affairs
(562) 923-0711
Tiffany.Thong@libertyutilities.com

Attachment