

Before the Public Service Commission  
of Kentucky

Rebuttal Testimony  
of  
Jill Schwartz

on behalf of

Liberty Utilities Co.



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LIBERTY UTILITIES CO.  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**CASE NO. 2021-00481**

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**CASE NO. 2021-00481**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jill Schwartz. My business address is 602 South Joplin Avenue, Joplin, MO,  
4 64802.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Liberty Utilities Service Corp. ("LUSC") as the Senior Director of Rates  
7 and Regulatory Strategy. LUSC is a direct subsidiary of Liberty Utilities Co. ("Liberty").

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

9 A. I am testifying on behalf of Liberty.

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
11 **BACKGROUND.**

12 A. In 2001, I completed my Bachelor of Science in Accounting from the John E. Simon School  
13 of Business at Maryville University in St. Louis, Missouri. From May 2001 to February  
14 2015, I was employed by The Boeing Company in a variety of accounting capacities,  
15 ensuring compliance with the Federal Acquisition Regulation Mandatory Disclosure rule  
16 and developing and delivering labor compliance training for all Boeing employees. I  
17 joined Liberty Utilities in February 2015 as the Manager of Rates and Regulatory Affairs  
18 for Liberty Utilities (Midstates Natural Gas) Corp. In February 2017, I was promoted to  
19 Senior Manager of Rates and Regulatory Affairs for Liberty Utilities Central Region,  
20 where I was responsible for the regulatory matters involving the electric, natural gas and  
21 water utilities in Missouri, Arkansas, Illinois, Iowa, Kansas and Oklahoma. In August

1 2019, I transitioned to the Corporate Regulatory department, where I provided support for  
2 the cost allocation manual and corporate costs to other Liberty Utilities operating utilities  
3 across the U.S. and Canada. In December 2020, I was promoted to Director of Regulatory  
4 Shared Services where I was responsible for leading a small team in the development of  
5 the regulatory strategy and evidentiary support for the corporate shared services costs  
6 charged to the operating utilities in accordance with the APUC Cost Allocation Manual  
7 (“CAM”). In addition, I supported the local and regional regulatory teams in rate cases  
8 and other regulatory matters. In March 2022, I was promoted to my current position.

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE**  
10 **COMMISSION OF KENTUCKY (“COMMISSION”) OR ANY OTHER**  
11 **REGULATORY AGENCY?**

12 A. I have not testified before the Commission, but I have provided written and oral testimony  
13 before public utility commissions in several other jurisdictions. Specifically, I have  
14 testified for Liberty before public utility commissions in Arizona, Illinois, Iowa, Missouri,  
15 and New York, as well as the New Brunswick Energy and Utilities Board in Canada.

16 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
17 **PROCEEDING?**

18 A. The purpose of my rebuttal testimony is to respond to Mr. Lane Kollen’s Direct Testimony  
19 regarding alleged increases in costs resulting from lost economies due to a discontinuation  
20 of centralized services.

21

1 **II. SHARED SERVICES MODEL COMPARISONS**

2 **Q. DO YOU AGREE WITH MR. KOLLEN'S FUNDAMENTAL CONCLUSION**  
3 **THAT IT WILL COST MORE TO OPERATE KENTUCKY POWER COMPANY**  
4 **("KENTUCKY POWER") UNDER LIBERTY'S OWNERSHIP BECAUSE OF THE**  
5 **DIFFERENCE IN AEP'S AND LIBERTY'S SHARED SERVICES MODELS?**

6 A. No, I do not. Both companies rely on shared services, but Liberty to a lesser extent. Liberty  
7 performs more functions locally, which brings us closer to our customers and their needs.  
8 As I explain in more detail below, Mr. Kollen's estimate that it will be 5-10% percent more  
9 costly to operate under Liberty's ownership is based on speculation and not any true  
10 analysis on Mr. Kollen's part.

11 **Q. UNDER LIBERTY OWNERSHIP, WILL KENTUCKY POWER OBTAIN ALL OF**  
12 **THE CENTRALIZED SERVICES PRESENTLY PROVIDED BY AMERICAN**  
13 **ELECTRIC POWER SERVICE COMPANY ("AEPSC") LOCALLY?**

14 A. No. Liberty's business model emphasizes local presence and a local approach to  
15 management, service and support. While Liberty believes that certain utility services (e.g.,  
16 customer service, planning, and community outreach activities) are best delivered locally,  
17 under Liberty ownership, Kentucky Power would also be part of Liberty's shared services  
18 model and receive some corporate services (e.g., IT, treasury, and tax) currently provided  
19 by AEPSC.

20 **Q. CAN YOU ELABORATE ON LIBERTY'S SHARED SERVICES MODEL?**

21 A. Yes. Through the shared services and corporate cost allocation model, we provide a range  
22 of services across the organization. The centralized provision of services promotes  
23 consistency, maximizes economies of scale, and minimizes redundancy across all

1 affiliates. Furthermore, through this model, the 30 regulated utilities owned and operated  
2 by Liberty are able to access significant expertise at lower costs. Simply put, Liberty's  
3 shared services business model allows our regulated utilities, which would include  
4 Kentucky Power, to leverage economies of scale and other efficiencies through shared  
5 corporate support services while locally managing day-to-day operations, customer service  
6 and integrated resource planning. The Joint Applicants' response to Office of the Attorney  
7 General Data Request 1-40 and Mr. Eichler's Rebuttal Testimony include a copy of our  
8 Cost Allocation Manual and Affiliate Service Agreements, which provide the detail of the  
9 specific shared services and allocation methodology.

10 **Q. PLEASE DISCUSS THE ANALYSIS THAT LIBERTY PERFORMED TO**  
11 **COMPARE THE CORPORATE SERVICES PROVIDED TO KENTUCKY**  
12 **POWER BY AEPSC TO THE CORPORATE SERVICES KENTUCKY POWER**  
13 **WOULD RECEIVE UNDER LIBERTY'S OWNERSHIP.**

14 A. First, Liberty compared the breakdown of the services provided to Kentucky Power by  
15 AEPSC to the shared services provided under Liberty's model. Liberty then determined  
16 which functions it would provide locally and which functions it would provide on a shared  
17 service basis. Liberty assumed that IT, environmental health and safety, corporate  
18 communications, and certain other functions would be provided to Kentucky Power  
19 through its corporate shared services model. Other functions, such as human resources,  
20 procurement, and accounting will have certain services provided locally and certain  
21 services provided by affiliates. Liberty also identified certain functions that would  
22 reasonably be assumed to be displaced when Kentucky Power becomes part of the Liberty  
23 organization. Specifically, based on the information made available to Liberty, it assumed

1 that AEP's 'General Corporate' costs would be displaced by the services provided by  
2 Algonquin. Next, Liberty identified certain functions that would require additional local  
3 support such as customer service and regulatory.

4 **Q. HOW DOES MR. KOLLEN CHARACTERIZE THIS ANALYSIS IN HIS**  
5 **TESTIMONY?**

6 A. Mr. Kollen characterizes it as a "fundamentally flawed" "spreadsheet" that is "driven by  
7 aspirational assumptions, not an actual and realistic study of the Company's structure under  
8 Liberty ownership."<sup>1</sup>

9 **Q. HOW DO YOU RESPOND TO THIS CHARACTERIZATION?**

10 A. I strongly disagree with Mr. Kollen's incomplete analysis and conclusory statements.  
11 Liberty has constructed a corporate allocations model that is both comprehensive in its  
12 scope and granular in its level of detail. The model includes 13 separate tabs and hundreds  
13 of entries related to Kentucky Power/AEP and Liberty's cost structures. The model is a  
14 product of integrating and reconciling numerous pieces of information Liberty received  
15 from AEP in the course of pre-transaction due diligence work. It also reflects subsequent  
16 consultations with Liberty functional leads to ensure that the model's underlying  
17 assumptions matched their understanding of Kentucky Power's status quo of operations,  
18 as well Liberty's anticipated operating model post-transaction. We have submitted this  
19 model for the Commission and other stakeholders to review as a part of our First Round  
20 Data Request responses (KPSC-01-17). As Liberty Witness Balashov describes in his  
21 rebuttal testimony, there are significant issues with Mr. Kollen's own analysis.

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<sup>1</sup> Kollen Direct, p.26, lines 6-13

1 **Q. WHAT IS YOUR PERCEPTION OF MR. KOLLEN'S "EXPERIENCE" THAT**  
2 **COSTS WILL BE 5-10% HIGHER?**

3 A. I strongly disagree with Mr. Kollen's generalized cost estimate based on his "experience."  
4 Mr. Kollen takes a study done many years ago by a competing consulting firm which refers  
5 to savings in mergers occurring over a long period of time (typically 6-10 years) in the  
6 range of 3-5% and applies it to this transaction. Beyond this reference, we were unable to  
7 ascertain how this leads to a conclusion of an immediate 5-10% increase.

8 **Q. WHAT HAS LIBERTY'S ACTUAL EXPERIENCE BEEN?**

9 A. We have analyzed several of our electric utility acquisitions to validate that our operating  
10 methodology is not more expensive. To verify this, we looked at non-fuel O&M on a per  
11 customer basis, adjusting for non-controllable expenses such as property taxes. We then  
12 analyzed the first five years of operations at Granite State Electric and Empire District  
13 Electric. In each instance, after five years of ownership, controllable O&M had reduced  
14 from \$501 per customer to \$383 per customer, or a reduction of 4.6%, in the case of Granite  
15 State Electric, and from \$948 to \$892, or a 5.4% reduction, in Empire District Electric.  
16 More extensive analysis can be found in Mr. Balashov's Rebuttal Testimony.

17 **Q. WHAT DO YOU CONCLUDE ABOUT YOUR EXPERIENCE WITH COSTS IN**  
18 **ACQUISITIONS LIBERTY HAS COMPLETED?**

19 A. It is evident from our actual data based on our management actions and experience that  
20 within the first five years of our ownership, Liberty has been able to reduce controllable  
21 O&M costs of the utilities it has acquired.

22 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

23 A. It does.