

Exhibit No.:  
Issues: Rate Design, CNG  
Witness: Thomas M. Imhoff  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: GR-2014-0152  
Date Testimony Prepared: July 30, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**  
Tariff, Safety, Economic & Engineering Analysis

**REBUTTAL TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.**  
**d/b/a LIBERTY UTILITIES**

**CASE NO. GR-2014-0152**

*Jefferson City, Missouri*  
*July 2014*

PSC Exhibit No. 29  
Date 9 8 14 Reporter SJP  
File No. \_\_\_\_\_

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

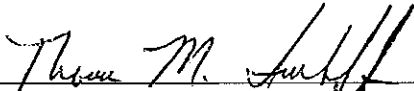
In the Matter of Liberty Utilities )  
(Midstates Natural Gas) Corp. d/b/a )  
Liberty Utilities' Tariff Revisions )  
Designed to Implement a General Rate )  
Increase for Natural Gas Service in the )  
Missouri Service Areas of the Company )

File No. GR-2014-0152

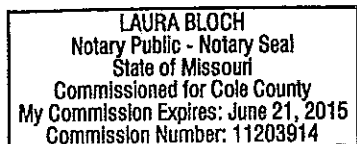
**AFFIDAVIT OF THOMAS M. IMHOFF**

STATE OF MISSOURI    )  
                                  ) ss  
COUNTY OF COLE     )

Thomas M. Imhoff, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 5 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
Thomas M. Imhoff

Subscribed and sworn to before me this 29<sup>th</sup> day of July, 2014.



  
\_\_\_\_\_  
Notary Public

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**REBUTTAL TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.**

**d/b/a LIBERTY UTILITIES**

**CASE NO. GR-2014-0152**

**TABLE OF CONTENTS**

EXECUTIVE SUMMARY..... 1

RATE DESIGN..... 1

COMPRESSED NATURAL GAS ..... 2

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

**REBUTTAL TESTIMONY**  
**OF**  
**THOMAS M. IMHOFF**  
**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.**  
**d/b/a LIBERTY UTILITIES**  
**CASE NO. GR-2014-0152**

Q. Are you the same Thomas M. Imhoff who participated in Staff's Revenue Requirement Cost of Service and Class Cost of Service and Rate Design Reports?

A. Yes I am.

**EXECUTIVE SUMMARY**

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address the rate design and Compressed Natural Gas ("CNG") proposals of Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty Utilities" or "Company").

**RATE DESIGN**

Q. Do you agree with Liberty Utilities Mr. Christopher Krygier's rate design proposal?

A. No.

Q. Why don't you agree with Mr. Krygier's rate design proposal as stated on page 8, lines 10 through 27 and his corresponding Schedule CDK-1?

A. I disagree with Mr. Krygier's proposal to incorporate the Infrastructure System Replacement Surcharges ("ISRS") as part of the base rates before applying the equal percentage increase. The inclusion of ISRS in base rates is not appropriate due to its

1 classification as a surcharge. The ISRS is part of Liberty Utilities' overall proposed revenue  
2 increase and is not in Liberty Utilities' current base rates.

3 Q. Do you agree with Mr. Krygier's billing determinants as a basis for setting  
4 rates?

5 A. No. As stated in my rate design/class-cost-of-service direct testimony, the  
6 revenue data originally supplied to Staff by Liberty Utilities was unreliable and could not be  
7 used to develop a proper set of billing determinants. Mr. Krygier utilized that same unreliable  
8 data when he proposed his billing determinants.

### 9 **COMPRESSED NATURAL GAS**

10 Q. What is Liberty Utilities proposing relating to its Compressed Natural Gas  
11 ("CNG") proposal?

12 A. On page 23, lines 11 through 18, Mr. Krygier states that Liberty Utilities is  
13 proposing to set up and encourage CNG fueling stations and has asked for a waiver from the  
14 lower of cost or market rules related to the affiliate transaction rule.

15 Q. Do you agree with Liberty Utilities' CNG proposal?

16 A. No. Liberty Utilities' CNG proposal is vague, has no cost studies associated  
17 with it, and did not properly follow Commission Rules when requesting a variance.

18 Q. What do you mean by "vague" in Liberty Utilities' CNG proposal?

19 A. Liberty Utilities' proposed tariff language does not contain a sample contract  
20 which would define its proposed relationship and responsibilities between Liberty Utilities  
21 and its affiliate. For instance, Liberty Utilities is proposing to own the storage and  
22 compression functions related to a CNG fueling station facility, even though it would be

1 located on the customer's side of the meter. Liberty Utilities is assuming more responsibility  
2 for the project and pushes more risk on its captive customers.

3 Q. Mr. Krygier states that customers would pay a facilities charge which is  
4 proposed at 1.5% to recoup costs from customers for the infrastructure investment. Has  
5 Liberty Utilities provided any cost analysis or general costs to build a CNG facility that would  
6 be the basis of a 1.5% "facilities charge"?

7 A. No. In its response to Staff Data Request No. 202, Liberty Utilities stated that  
8 it had not undertaken a full cost analysis at this time, but provided Staff with a CNG  
9 Infrastructure Guide as a basis for its analysis. There is no support for what this project  
10 would cost, and how much risk Liberty Utilities' customers would be subject to. The 1.5 %  
11 "facilities charge" has no basis other than a "sister company" of Liberty Utilities (Atlanta Gas  
12 Light) charges that rate as an interruptible rate.

13 Q. Does Liberty Utilities know what the net impact will be when converting  
14 gasoline-powered vehicles to CNG powered-vehicles?

15 A. No. In its response to Staff Data Request No. 220, Liberty Utilities stated that  
16 it would be difficult to estimate at this time. Liberty Utilities is unsure of the number of  
17 vehicle conversions, how quickly the conversion would occur, and what the capital costs will  
18 be to convert the fleet and other factors. As referenced above, Liberty Utilities does not know  
19 what the total cost will be to construct the proposed CNG facilities.

20 Q. In Mr. Krygier's direct testimony on page 25, lines 11 through 20, he states  
21 that Liberty Utilities needs a waiver in order to have a "public fueling station" and that an  
22 affiliate is the only entity expressing interest in operating this. Do you agree that a waiver is  
23 warranted in this situation?

1           A.    No. Liberty Utilities has provided no support or justification for a waiver. To  
2 date, Liberty Utilities has provided no cost analyses, support, or any type of evidence that  
3 supports a waiver/variance.

4           Q.    Has Liberty Utilities followed Commission rules when requesting this  
5 waiver/variance?

6           A.    No. Under 4 CSR 240-2.060(4), applications for variances or waivers from  
7 Commission rules and tariff provisions, and statutory provisions which may be waived, shall  
8 contain the following information: (A) Specific indication of the statute, rule, or tariff from  
9 which the variance or waiver is sought; (B) The reasons for the proposed variance or waiver  
10 and a complete justification setting out the good cause for granting the variance or waiver;  
11 and (C) The name of any public utility affected by the variance or waiver. Liberty Utilities  
12 has not provided any information pertaining to these sections. Liberty Utilities identified  
13 itself as a public utility and stated they wanted a waiver from the costing principles under the  
14 affiliated transaction rules. However, they did not identify the rule or corresponding sections.  
15 They did not identify any other public utility that might be affected by this request.

16          Q.    Are there any more rule citations?

17          A.    Yes. Since Mr. Krygier's testimony is not specific, 4 CSR 240-  
18 40.015(10)(A)(1) describes the waiver/variance request Staff believes Liberty Utilities is  
19 requesting. This request however, does not specify the name of the affiliate, nor does it have  
20 any cost support or justifications for any waiver of the affiliated transaction rules. Liberty has  
21 not provided any supporting documentation indicating what or how its customers would  
22 benefit from this request.

23          Q.    What is Staff's recommendation for this case?

1           A.     Staff recommends the Commission accept Staff's position on rate design and  
2 reject Liberty Utilities' CNG proposal. Liberty Utilities has provided no support for its CNG  
3 proposal.

4           Q.     Does this conclude your rebuttal testimony?

5           A.     Yes, it does.