

**MISSOURI PUBLIC SERVICE COMMISSION**

**STAFF UPDATED REPORT ON  
INFRASTRUCTURE SYSTEM REPLACEMENT  
SURCHARGE FOR LIBERTY UTILITIES**



**LIBERTY UTILITIES  
CASE NO. GO-2014-0006**

*Jefferson City, Missouri  
September 20, 2013*

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2 **STAFF UPDATED REPORT ON**  
3 **INFRASTRUCTURE SYSTEM REPLACEMENT**  
4 **SURCHARGE FOR LIBERTY UTILITIES**  
5 **CASE NO. GO-2014-0006**

6 **I. BACKGROUND**

7 On August 1, 2011, Atmos Energy Corporation (Atmos) and Liberty Energy (Midstates)  
8 Corp (Liberty or Company) filed in Case No. GM-2012-0037 a Joint Application of Atmos  
9 Energy Corporation (Atmos) and Liberty Energy (Midstates) Corp. for Authority to Sell  
10 Certain Missouri Assets to Liberty Energy (Midstates) Corp and, in Connection Therewith,  
11 Certain Other Related Transactions (Sale) with Liberty Energy (Midstates) Corp as the  
12 surviving entity. On February 17, 2012, a Unanimous Stipulation and Agreement (S&A) was  
13 filed in the case, and on March 14, 2012, the Missouri Public Service Commission (Commission)  
14 issued its Order Approving Unanimous Stipulation and Agreement.

15 In that S&A, Liberty agreed to maintain Atmos' current tariffs and to formally adopt  
16 Atmos' tariffs upon Commission approval of the sale.

17 On July 2, 2012, Liberty filed two tariff sheets requesting approval of its formal adoption  
18 notice and title sheet, in compliance with the Commission's Order in GM-2012-0037.

19 On July 23, 2012, the Commission issued its Order Recognizing Name Change and  
20 Approving Tariff Sheets to go into effect August 1, 2012. Liberty Energy (Midstates) Corp. now  
21 does business as Liberty Utilities.

22 *Staff Expert/Witness: Thomas M. Imhoff*

1 **II. THE APPLICATION**

2 On July 2, 2013, Liberty filed an Application and Petition (Application) with the  
3 Commission to re-establish its Infrastructure System Replacement Surcharge (ISRS). The filing  
4 had a proposed effective date of August 1, 2013.

5 Liberty also applied for a waiver of the 60 day notice requirement of a “contested” case  
6 under 4 CSR 240-4.020, stating it “does not believe this matter would be considered a ‘contested  
7 case’” 60 days prior to the filing of its Application.

8 On July 8, 2013, the Commission issued its ORDER DIRECTING NOTICE AND  
9 SETTING INTERVENTION DATE with an intervention date of July 29, 2013 and ORDER  
10 SUSPENDING TARIFF until October 30, 2013.

11 On July 30, 2013, the Commission issued its ORDER DIRECTING FILING OF STAFF  
12 REPORT no later than September 3, 2013.

13 The Commission’s Rule Natural Gas Utility Petitions for Infrastructure System  
14 Replacement Surcharges at 4 CSR 240-3.265 allows Gas corporations to recover certain  
15 infrastructure system replacement costs outside of a formal rate case filing through a surcharge  
16 on customers’ bills. Liberty initially filed a tariff sheet that would generate a total annual  
17 revenue requirement of \$650,670.

18 Liberty is unique among Missouri natural gas local distribution companies in that it has  
19 specific ISRS rates for each of its three districts. Therefore, Liberty needs district-specific  
20 revenue requirements in order to calculate those district-specific ISRS rates.

21 Liberty proposes that its ISRS rates be based upon the customer-count from its 2012  
22 annual report.

1 Liberty filed to recover ISRS qualifying infrastructure replacement costs incurred  
2 during the period June 1, 2012 through May 31, 2013. This request is consistent with the  
3 method used to calculate the ISRS rate approved in Atmos' previous ISRS filings and conforms  
4 with Staff's view that the calculation of the ISRS surcharge should closely reflect the revenue  
5 requirement that will exist on the effective date of the ISRS rates.

6 *Staff Expert/Witness: Thomas M. Imhoff*

### 7 **III. STAFF'S INVESTIGATION**

8 Staff from the Auditing and Energy Units participated in the investigation of  
9 Liberty's Application. The investigation included a review of: the Application, all supporting  
10 documentation, Missouri statutory sections 393.1009, 393.1012 and 393.1015 RSMo and all  
11 additional data provided by Liberty.

12 While this filing fails to meet the \$1,000,000 threshold requirement set forth in  
13 Rule 4 CSR 240-3.265 (2), it does qualify as a valid filing by meeting the alternative requirement  
14 of the requested increase exceeding "*one-half of one percent (1/2%) of the natural gas utility's*  
15 *base revenue level approved by the commission in the natural gas utility's most recent general*  
16 *rate case proceeding*".

17 *Staff Expert/Witness: Thomas M. Imhoff*

### 18 **IV. STAFF REVIEW AND REVENUE CALCULATION**

19 On July 2, 2013, Liberty Utilities (Liberty) filed to recover Infrastructure System  
20 Replacement Surcharge (ISRS) qualifying costs. This filing represented Liberty's second ISRS  
21 filing since acquiring the assets previously owned by Atmos Energy and since the conclusion of  
22 the sale of Atmos Energy assets to Liberty Utilities, Case No. GM-2012-0037. The rates related  
23 to Liberty's previous ISRS Case No. GO-2013-0048 became effective on November 2, 2012.

1 In addition, as part of the agreement in Case No. GM-2012-0037, Liberty adopted the currently  
2 effective ISRS authorized for Atmos Energy in Case No. GO-2011-0149, which became  
3 effective February 14, 2011.

4 In its Application, Liberty filed to recover ISRS qualifying infrastructure replacement  
5 costs incurred during the period June 1, 2012 through May 31, 2013. However, it should be  
6 noted that Liberty's filing included for Staff's review data which included ISRS qualifying  
7 infrastructure replacement costs through June 30, 2013. To adhere to Staff's view that the  
8 calculations of the ISRS surcharge should closely reflect the revenue requirement that will  
9 exist on the effective date of the ISRS rates, Staff has included the June 2013 data in its  
10 calculation of Liberty's revenue requirement in this case.

#### 11 **A. Review and Explanation of Adjustments**

12 The Auditing Unit Staff has reviewed Liberty Utilities' ISRS application including all  
13 supporting workpapers and calculations as well as an audit sample of work orders. During its  
14 review, Staff identified several errors and omissions in the data provided by Liberty. Staff  
15 has worked with Liberty in an effort to sort out all of the concerns and believes this  
16 recommendation addresses all of the items identified. Staff has listed below the adjustments  
17 made to Liberty's application.

18 In addition, the Audit Staff received a call on Thursday, September 19, 2013 at  
19 approximately 11:30 a.m. from Liberty Utilities. It was brought to the Audit Staff's attention  
20 during that phone call that the Company had discovered some double-counting of materials and  
21 supplies dollars related to eligible replacements when performing an internal audit of all line  
22 items charges related to the projects for which it is seeking recovery through the ISRS.  
23 Audit Staff was informed that the Company intends to address this adjustment in its

1 testimony filing on September 20, 2013. Given the timing of when this matter was brought to  
2 the attention of Staff, this adjustment is not reflected in Staff's Updated Report. When the Audit  
3 Staff receives the updated information from Liberty Utilities and has an opportunity to review it  
4 for accuracy, the Audit Staff will provide its response in the form of testimony at hearing on  
5 September 26-27, 2013.

### 6 **B. Ineligible Projects**

7 The Audit Staff reviewed additional data provided by the Company after Staff's  
8 September 3, 2013 initial filing and determined the following adjustments were necessary  
9 to properly reflect the replacements eligible for recovery in this filing. There were three  
10 projects identified by the Company that should not have been included. They are Project Nos.  
11 8853-04-1-12011, 8853-0401-12012 and 050.23966. The total reduction to gross additions in  
12 the SEMO district related to Project Nos. 8853-0401-12011 and 8853-0401-12012 is \$28,780  
13 with a corresponding reduction in accumulated depreciation of \$330. The total reduction to  
14 gross additions in the NEMO district related to Project No. 050.23966 is \$4,319 with a  
15 corresponding reduction in accumulated depreciation of \$86.

### 16 **C. Accumulated Depreciation and Deferred Income Taxes**

17 The methodology used by the Auditing Unit Staff allows Staff to consider all  
18 accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure  
19 replacements costs through September 30, 2013. This methodology is consistent with past  
20 reviews conducted by the Auditing Unit Staff, and is consistent with Staff's view that the  
21 calculation of the ISRS revenue requirement should closely reflect the revenue requirement at  
22 the 120-day effective date of the ISRS rates, which, in this case, is October 30, 2013.

1           **D.     Incremental Accumulated Depreciation and Deferred Income Taxes**

2           For purposes of this filing, the Audit Staff also included the incremental accumulated  
3 depreciation and accumulated deferred income tax for the period of November 30, 2012 through  
4 September 30, 2013 for replacements associated with the currently effective ISRS authorized in  
5 Case No. GO-2013-0048. The total incremental accumulated depreciation included by the Audit  
6 Staff is as follows: WEMO – \$12,114; SEMO – \$54,430 and NEMO - \$70,417 for a total  
7 reduction to Total ISRS Rate Base in the amount of \$136,961. The total incremental  
8 accumulated deferred income tax included by the Audit Staff is as follows: WEMO – (\$1,852);  
9 SEMO - (\$9,309); and NEMO - \$5,450 for a total reduction to Total ISRS Rate Base in the  
10 amount of \$5,711.

11           In addition, the Audit Staff included incremental accumulated depreciation and  
12 accumulated deferred income tax for replacements associated with the currently effective ISRS  
13 authorized for Atmos Energy in Case No. GO-2011-0149. The incremental accumulated  
14 depreciation included by the Audit Staff for the period November 30, 2012 through  
15 September 30, 2013 is as follows: WEMO– (\$2,867); SEMO -(\$23,358); and NEMO– (\$58,860)  
16 for a reduction to Total ISRS Rate Base in the amount of \$85,085. The incremental deferred  
17 income tax included by the Audit Staff for the period November 30, 2012 through September 30,  
18 2013 is as follows: WEMO – (\$5,878); SEMO – (\$7,094); and NEMO – (\$187,792) for a  
19 reduction in Total ISRS Rate Base of \$200,764.

20           **E.     Property Taxes – GO-2011-0149 and GO-2013-0048**

21           The Audit Staff also calculated the change in property tax estimated in Case No.  
22 GO-2013-0048 to reflect the current ongoing amount. As such, the Audit Staff made an  
23 adjustment on a district specific basis as follows: WEMO - \$5,802; SEMO - \$35,439; and



1 NEMO - \$109,594 for a total increase in property tax liability for eligible replacements approved  
2 by the Commission in Case No. GO-2013-0048 in the amount of \$150,835.

3 The Audit Staff also calculated the change in property tax estimated in Case No.  
4 GO-2011-0149 to reflect the current ongoing amount. As such, the Audit Staff made an  
5 adjustment on a district specific basis as follows: WEMO – \$1,470; SEMO – \$14,742; and  
6 NEMO – \$84,543 for a total increase in property tax liability for eligible replacements approved  
7 by the Commission in Case No. GO-2011-0149 in the amount of \$100,755.

#### 8 **F. Depreciation Rates**

9 During its review, the Staff identified the use of incorrect depreciation rates by the  
10 Company for certain cities in its NEMO operating district, specifically, Kirksville, and  
11 categorizing certain retirements incorrectly thus resulting in incorrect calculation of depreciation  
12 expense. This correction resulted in a reduction in Liberty’s calculation of depreciation expense  
13 of \$130,372. It is also necessary for the Audit Staff to make an adjustment to depreciation  
14 expense related to the ineligible projects identified above. This resulted in a reduction to  
15 depreciation expense in the amount of \$545. This adjustment on a district specific basis is as  
16 follows: SEMO – (\$440) and NEMO – (\$105).

#### 17 **G. Summation Formula Error**

18 An additional error relating to the meter and house regulator replacements for the Southeast  
19 Missouri Division occurred and overstated the amount of new plant-in-service. This correction  
20 resulted in a decrease to Total ISRS Rate Base in the amount of \$2,684,854.

1           **H.     Deferred Taxes**

2           During the course of its review, the Audit Staff also discovered an error in  
3 Liberty Utilities’ calculation for deferred income taxes involving a calculation error in net  
4 book value for September 2013, as well as inclusion of growth and equipment amounts that  
5 should not be included. The Audit Staff’s corrected calculation resulted in a decrease in deferred  
6 income tax of \$90,049. On a district specific basis, the change in deferred income tax was:  
7 WEMO – \$1,796; SEMO – (\$1,479); and NEMO – \$89,732. It is also necessary for Audit Staff  
8 to make an adjustment to deferred taxes related to the ineligible projects identified above. This  
9 resulted in an increase to deferred income tax in the amount of \$597. This adjustment on a  
10 district basis is as follows: SEMO - \$480 and NEMO - \$117.

11           **I.     Conversion Factor**

12           The Company also failed to utilize the appropriate income tax conversion factor when  
13 determining its Total Revenue Requirement on Capital. This error in income tax conversion  
14 factor along with the correction to the Total ISRS Rate Base resulted in an overall increase to  
15 Total Revenue Requirement on Capital of \$44,692. The impact of the correction to the income  
16 tax conversion factor along with the correction to the Total ISRS Rate Base on a district specific  
17 basis is as follows: WEMO - \$13,553; SEMO - (\$77,221); and NEMO - \$108,360.

18           **J.     Property Tax – GO-2014-0006**

19           Staff also made a correction for an incorrect property tax rate utilized by the Company to  
20 determine property tax on eligible additions/replacements for the WEMO and SEMO districts.  
21 Another correction Staff made was to include the retirements identified in this ISRS filing that  
22 will result in a lower tax liability for the Company. These two corrections resulted in a change to  
23 property tax expense on a district specific basis as follows: WEMO – (\$204) SEMO - (\$4,548)

1 and NEMO - (\$29,584) for a total reduction to property tax expense of \$34,336. A final  
2 correction necessary to property tax expense involves the removal of eligible  
3 replacements placed in service in 2013 that will not be taxed until 2014. This correction  
4 results in a disallowance by district as follows: WEMO – (\$3,502); SEMO – (\$19,545); and  
5 NEMO - (\$93,409) for a total reduction to ISRS revenues in the amount of \$116,456. It is also  
6 necessary for Staff to make an adjustment to property tax to reflect the ineligible projects  
7 identified above. This adjustment results in a reduction to property tax in the amount of \$253 for  
8 the NEMO district. While making this adjustment, the Audit Staff noticed an error in its  
9 calculation of property tax that improperly reflected retirements. To correct this error, it is  
10 necessary for the Audit Staff to make an adjustment to increase property tax in the amount of  
11 \$6,093. This adjustment on a district specific basis is as follows: WEMO - \$93; SEMO - \$529;  
12 and NEMO - \$5,472.

13 In addition to the omissions and errors described above related to Liberty’s current ISRS,  
14 GO-2014-0006, during its analysis of the prior ISRS, Staff discovered that omissions and errors  
15 were present in Liberty’s prior ISRS, GO-2013-0048, both in Liberty’s filing and in Staff’s  
16 recommendation. Below is a discussion of the identified items which overstated the revenue  
17 requirement in the last ISRS.

#### 18 **K. Formula Error**

19 The amount approved for Liberty’s first ISRS filing, Case No. GO-2013-0048, was  
20 \$475,280 annually. However, there was a formula error in Company’s filing for the calculation  
21 of Accumulated Depreciation and Deferred Income Tax previously overlooked in Staff’s  
22 recommendation in Case No. GO-2013-0048. As such, it is necessary for the Audit Staff to  
23 account for this error in this proceeding. The correction for accumulated depreciation due to this

1 formula error is as follows: WEMO - \$321; SEMO - (\$503); and NEMO - (\$9,516) for a total  
2 reduction in Total ISRS Rate Base in this proceeding of \$9,698. The correction for deferred  
3 income tax due to this formula error is as follows: WEMO - \$1,346; SEMO - (\$7,520); and  
4 NEMO - (\$56,429) for a total reduction in Total ISRS Rate Base of \$62,603.

5 **L. Omission of Incremental Accumulated Depreciation and Deferred Taxes**

6 During Liberty's last case, GO-2013-0048 the filed application omitted a calculation to  
7 include the incremental accumulated depreciation and deferred taxes relating to the eligible  
8 replacements authorized in GO-2011-0149. Staff also omitted this calculation in its  
9 recommendation. In order to include the proper current level of costs going forward, Staff has  
10 made the following adjustments to its current ISRS calculations.

11 The incremental deferred income tax included by the Audit Staff associated with the  
12 currently effective ISRS authorized in Case No. GO-2011-0149 for the period of March 1, 2011  
13 through November 30, 2012 is as follows: WEMO - (\$9,647); SEMO - (\$158,920); and  
14 NEMO - (\$64,389) for a reduction in Total ISRS Rate Base of \$232,956. The incremental  
15 accumulated depreciation included by the Audit Staff for the period of March 1, 2011  
16 through November 30, 2012 is as follows: WEMO - (\$6,020); SEMO - (\$49,051); and  
17 NEMO - (\$123,606) for a reduction in Total ISRS Rate Base of \$178,677.

18 Since adjustments to ISRS revenues for the incremental accumulated depreciation and  
19 deferred income tax related to eligible replacements approved in Case No. GO-2011-0149  
20 were omitted from Staff's recommendation in Case No. GO-2013-0048 in addition to a  
21 formula error that was present, it is appropriate for these adjustments to be included in this  
22 proceeding in order to capture the current level of rate base to use in determining the current  
23 costs incurred by Liberty.

1 Furthermore, Staff is recommending that any overpayment by customers due to this  
2 oversight be included in the calculation of the current ISRS so as to not just correct the mistake  
3 going forward, but also make the customers whole. Staff has determined that since the effective  
4 date of the ISRS on November 2, 2012 through September 30, 2013 the aforementioned errors  
5 resulted in \$50,699 of revenue requirement. On a district specific basis this over-collection is as  
6 follows: WEMO – (\$1,467); SEMO – (\$22,629); and NEMO -- (\$26,604). Staff has discussed  
7 its proposed adjustment for this item with Liberty and understands that Liberty does not take  
8 issue with Staff’s recommendation. As with all ISRS surcharges, in accordance with the  
9 timelines in Commission Rule 4 CSR 240-3.265 (17) Staff reconciles the ISRS revenue Liberty  
10 collects from customers to account for over or under-collection of ISRS revenue. Therefore, this  
11 ISRS will be reconciled in a future proceeding, to determine any differences between what  
12 Liberty will be authorized to collect and the revenues resulting from this ISRS. Staff’s proposed  
13 adjustment will be reconciled as part of this process.

14 Based upon the aforementioned corrections and adjustments to the Company’s filing, the  
15 Audit Unit has determined that the Total ISRS Revenue Requirement for Liberty Utilities in this  
16 proceeding should be set at \$608,589. This proposed revenue requirement on a district specific  
17 basis is as follows: WEMO - \$31,956; SEMO - \$185,181; and NEMO - \$391,452.

18 Therefore, Staff presents the active ISRS rates for Liberty below, summarized on a  
19 cumulative basis and projected to be recovered on an annual basis as follows:  
20

21 *continued on next page*

1

<b>Cumulative ISRS Revenue Requirement</b>	
<b>ISRS Revenue Requirement #1</b>	
(GO-2011-0149, Atmos Energy, Eff. Date 2/14/2011)	
WEMO	\$ 11,116
SEMO	\$ 100,568
NEMO	\$ 165,397
<b>Subtotal of ISRS Revenue</b>	<b>\$ 277,081</b>
<b>ISRS Revenue Requirement #2</b>	
(GO-2013-0048, Liberty Utilities, Eff. Date 11/2/2012)	
WEMO	\$ 58,221
SEMO	\$184,335
NEMO	\$232,723
<b>Subtotal of ISRS Revenue</b>	<b>\$475,279</b>
<b>ISRS Revenue Requirement #3</b>	
(GO-2014-0006, Liberty Utilities)	
WEMO	\$ 31,956
SEMO	\$185,181
NEMO	\$391,452
<b>Subtotal of ISRS Revenue</b>	<b>\$608,589</b>
<b>Total ISRS Revenue</b>	<b>\$1,360,949</b>

2

3 *Staff Expert/Witness: Roberta A. Grissum*

4 **V. ISRS RATE SCHEDULES**

5 Staff's proposed rates are consistent with the methodology used to establish Liberty's past  
6 ISRS rates and consistent with the overall methodology used to establish ISRS rates for other  
7 utilities. Staff's proposed ISRS rates are contained in Schedule JM-1 in Appendix 2, attached  
8 hereto and incorporated by reference herein. Staff's customer count is based on Liberty's current  
9 annual report on file with the Commission.

10 Liberty has deviated from Staff's accepted methodology in computing ISRS rates.  
11 Liberty has added its rates computed from this filing to the rates computed in its previous ISRS

1 filings (GO-2011-0149 and GO-2013-0048). Liberty’s procedure of adding the current effective  
 2 ISRS rates to the separately computed ISRS rates from this case has resulted in slightly different  
 3 “composite” rates than the “composite” rates that would be calculated under the Staff method.  
 4 The Staff method computes the ISRS rates from the “composite” revenue requirement, and not,  
 5 as Liberty has done, by adding the separately computed ISRS rates that are derived from  
 6 GO-2011-0149, GO-2013-0048, and GO-2014-0006 revenue requirements.

7 The differences between these methods are illustrated below:  
 8

<b>NEMO Customer Classes</b>	<b>Staff’s Composite Methodology</b>	<b>Liberty’s Composite Methodology</b>	<b>Difference</b>
Residential	\$3.25	\$2.72	\$0.53
Small Gen. Service	\$3.25	\$2.72	\$0.53
Medium Firm Serv	\$14.32	\$12.01	\$2.31
Large Firm Service	\$71.61	\$60.04	\$11.57
Interr Lrg Vol	\$71.61	\$60.04	\$11.57

<b>SEMO Customer Classes</b>	<b>Staff’s Composite Methodology</b>	<b>Liberty’s Composite Methodology</b>	<b>Difference</b>
Residential	\$1.05	\$1.48	(\$0.43)
Small Gen. Service	\$1.05	\$1.48	(\$0.43)
Medium Firm Serv	\$7.67	\$10.76	(\$3.09)
Large Firm Service	\$38.34	\$53.81	(\$15.47)
Interr Lrg Vol	\$38.34	\$53.81	(\$15.47)

<b>WEMO Customer Classes</b>	<b>Staff’s Composite Methodology</b>	<b>Liberty’s Composite Methodology</b>	<b>Difference</b>
Residential	\$2.00	\$1.76	\$0.24
Small Gen. Service	\$2.00	\$1.76	\$0.24
Medium Firm Serv	\$9.93	\$8.74	\$1.19
Large Firm Service	\$49.66	\$43.70	\$5.96

9  
 10 Staff has verified that the Company has filed its 2012 annual report and is not delinquent  
 11 on any assessment. Staff is not aware of any other matter before the Commission that affects or  
 12 is affected by this filing.

13 *Staff Expert/Witness: Joel McNutt*

1 **VI. REQUESTED WAIVER**

2 Staff does not object to Liberty’s request for waiver pursuant to Commission Rule 4 CSR  
3 240-020(2).

4 *Staff Expert/Witness: Joel McNutt*

5 **VII. RECOMMENDATION**

6 Based upon the above, Staff recommends the Commission issue an order in this case that:

7 1. Rejects the ISRS tariff sheet (YG-2014-0004) filed by Liberty on July 2, 2013;

8 2. Approves Staff’s determination of the incremental ISRS surcharge revenues in the  
9 amount of annual pre-tax revenues of \$608,589, consisting of \$31,956 for the WEMO district,  
10 \$185,181 for the SEMO district, and \$391,452 for the NEMO district;

11 3. Authorizes Liberty to file an ISRS rate for each customer class as reflected in Schedule  
12 JM-1 in Appendix 2; and

13 4. Approves Liberty’s request for waiver of the 60 day notice requirement for contested  
14 cases.

15 *Staff Expert/Witness: Joel McNutt/Roberta A. Grissum*

16 **APPENDICES**

17 Appendix 1 - Staff Credentials

18 Appendix 2 - Staff Schedules



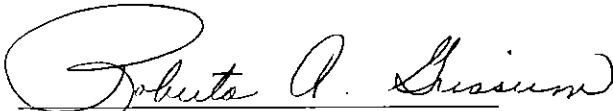
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of the Verified Application and )  
Petition of Liberty Energy (Midstates) Corp. )           Case No. GO-2014-0006  
d/b/a Liberty Utilities to Change Its )  
Infrastructure System Replacement Surcharge )

AFFIDAVIT OF ROBERTA A. GRISSUM

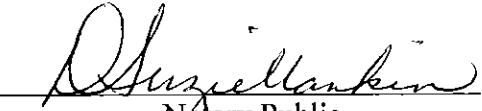
STATE OF MISSOURI        )  
  )        ss.  
COUNTY COLE            )

Roberta A. Grissum, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report as identified in the individual sections in said Report; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

  
Roberta A. Grissum

Subscribed and sworn to before me this 19<sup>th</sup> day of September, 2013.

**D. SUZIE MANKIN**  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: December 12, 2016  
Commission Number: 12412070

  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

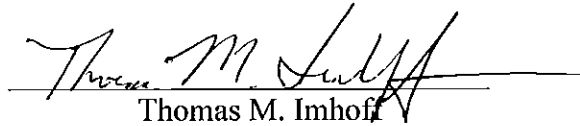
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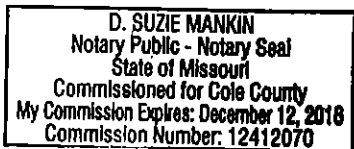
**AFFIDAVIT OF THOMAS M. IMHOFF**

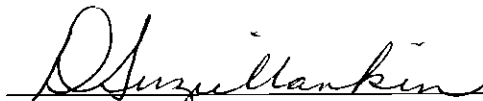
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Thomas M. Imhoff, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report as identified in the individual sections in said Report; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

  
Thomas M. Imhoff

Subscribed and sworn to before me this 19<sup>th</sup> day of September, 2013.



  
Notary Public



**MISSOURI PUBLIC SERVICE COMMISSION**

**STAFF UPDATED REPORT ON  
INFRASTRUCTURE SYSTEM REPLACEMENT  
SURCHARGE FOR LIBERTY UTILITIES**

**APPENDIX 1**  
**Staff Credentials**

**LIBERTY UTILITIES**

**CASE NO. GO-2014-0006**

## Background and Credentials

Roberta A. Grissum

I am currently employed as a Utility Regulatory Auditor IV in the Commission's Auditing Department. From August 1, 2002 through February 2003, I was employed as a Utility Regulatory Auditor III in the Financial Analysis Department. From May 1998 to July 2002, I was employed as a Public Utility Financial Analyst in the Financial Analysis Department where I was responsible for rate of return analyses. I served in an administrative support position within the Utility Services Division, Accounting Department prior to my appointment to the Financial Analysis Department. In total, I have been with the Commission over eighteen (18) years.

I earned a Masters of Business Administration degree from William Woods University on June 8, 2000. I earned a Bachelor of Science degree in Business Administration with an emphasis in Finance from Columbia College in July 1997 and acquired an emphasis in Accounting in October 2002. In addition, I was an adjunct faculty member with William Woods University in the Adult Evening Business Program for nine years. I am certified to facilitate Fundamentals of Financial Management (undergraduate) and Financial Decisions (graduate).

Prior to employment with the Commission, I was employed by the State Emergency Management Agency for the state of Missouri. I also have previous experience in the areas of accounting, insurance, consumer protection and mortgage banking.

Cases in which I have filed testimony are shown in the following table, which also lists the issues I was responsible for in each of those cases.

### SUMMARY OF TESTIMONY/STAFF RECOMMENDATION DATABASE

Issue	Case Number	Witness	Case Name
Electric Utility Industry Merger History: Rebuttal Testimony	EM-2000-292	McKiddy, Roberta A.	UtiliCorp United Inc. / St. Joseph Light and Power
Financial Theory of Utility Mergers: Rebuttal Testimony	EM-2000-292	McKiddy, Roberta A.	UtiliCorp United Inc. / St. Joseph Light and Power
History of the UtiliCorp United / St. Joseph Light and Power Merger: Rebuttal Testimony	EM-2000-292	McKiddy, Roberta A.	UtiliCorp United Inc. / St. Joseph Light and Power
Merger Overview: Rebuttal Testimony	EM-2000-292	McKiddy, Roberta A.	UtiliCorp United Inc. / St. Joseph Light and Power
Merger Rationale: Rebuttal Testimony	EM-2000-292	McKiddy, Roberta A.	UtiliCorp United Inc. / St. Joseph Light and Power
Surveillance Data Reporting Rebuttal Testimony Cross-examined at Hearing	EM-2000-292	McKiddy, Roberta A.	UtiliCorp United Inc. / St. Joseph Light and Power

Issue	Case Number	Witness	Case Name
Electric Utility Industry Merger History: Rebuttal Testimony	EM-2000-369	McKiddy, Roberta A.	UtiliCorp United Inc. / Empire District Electric
Financial Theory of Utility Merger: Rebuttal Testimony	EM-2000-369	McKiddy, Roberta A.	UtiliCorp United Inc. / Empire District Electric
History of the UtiliCorp United Inc. / Empire Electric Company Merger: Rebuttal Testimony	EM-2000-369	McKiddy, Roberta A.	UtiliCorp United Inc. / Empire District Electric
Merger Overview: Rebuttal Testimony	EM-2000-369	McKiddy, Roberta A.	UtiliCorp United Inc. / Empire District Electric
Surveillance Data Reporting: Rebuttal Testimony Cross-examined at Hearing	EM-2000-369	McKiddy, Roberta A.	UtiliCorp United Inc. / Empire District Electric
Cost of Capital: Direct Testimony Rebuttal Testimony Surrebuttal Testimony True-up Direct Testimony True-up Rebuttal Testimony Cross-examined at Hearing	ER-2001-299	McKiddy, Roberta A.	The Empire District Electric Company
Cost of Capital Direct Testimony	ER-2002-217	McKiddy, Roberta A.	Citizens Electric Corporation
Rate Base and Related Issues, Retired Plant, Depreciation and Amortization Expense, Property and Liability Insurance Expense, Property Tax, Banking Fees, Flotation Costs, PSC Assessment, and Rate Case Expense: Direct Testimony: All Issues Surrebuttal Testimony: Rate Case Expense & Energy Center 3&4 Issues Settled at Prehearing	ER-2004-0570	McKiddy, Roberta A.	Empire District Electric Company
Review of Company testimony related to rate case filings of AmerenCIPS, AmerenIP, and AmerenCILCO before the Illinois Commerce Commission	ER-2007-0002	Grissum, Roberta A.	AmerenUE
Payroll and Related Issues, Pensions & OPEBs, Ameren Services Issues settled at Prehearing	ER-2008-0318	Grissum, Roberta A.	AmerenUE
Fuel and Power Plant Maintenance Contributed to Cost of Service Report Deposition on both issues Cross-examined at Hearing	ER-2010-0036	Grissum, Roberta A.	AmerenUE
Construction Audit of Sioux WFGD Project Developed Data Requests & Interviewed Company Personnel Developed Construction Audit Report Participated in Two Depositions Cross-examined at Hearing	ER-2011-0028	Grissum, Roberta A.	AmerenUE
Construction Audit of Taum Sauk Rebuild Developed Initial Data Requests Provided Supervision to Aud III Performing Audit Review Reviewed Construction Audit Report and provided feedback	ER-2011-0028	Grissum, Roberta A.	AmerenUE

Issue	Case Number	Witness	Case Name
Revenues, Pensions & OPEBs Expense and Tracker, Vegetation Management and Infrastructure Inspections Expense and Tracker, Uncollectible Accounts, Construction Accounting for Sioux WFGD Project Vegetation Management and Infrastructure Inspections Litigated All Other Issues Settled	ER-2012-0166	Grissum, Roberta A.	Ameren Missouri
Evaluation of Transaction and Standard of Public Detriment Rebuttal Testimony Cross-examined at Hearing	GM-2001-585	McKiddy, Roberta A.	Gateway Pipeline Company Inc., et al
Revenue Requirement, Rate Design/Surcharge (ISRS Filing) Staff Rec Filed and Approved	GO-2007-0177	Grissum, Roberta	Laclede Gas Company
Revenue Requirement, Rate Design/Surcharge (ISRS Filing) Staff Rec Filed and Approved	GO-2008-0155	Grissum, Roberta	Laclede Gas Company
Revenue Requirement, Rate Design/Surcharge (ISRS Filing) Staff Rec Filed and Approved	GO-2008-0351	Grissum, Roberta	Laclede Gas Company
Rate of Return	GR-2000-512	McKiddy, Roberta A.	Union Electric Co d/b/a AmerenUE
Cost of Capital: Direct Testimony Case Settled by S&A	GR-2001-629	McKiddy, Roberta A.	Laclede Gas Company
Cost of Capital: Direct Testimony Case Settled by S&A	GR-2002-356	McKiddy, Roberta A.	Laclede Gas Company
Cash Working Capital, Rate Base and Related Issues, Depreciation and Amortization Expense, Revenues: Case Settled before testimony was Filed	GR-2005-0284	McKiddy, Roberta A.	Laclede Gas Company
Actual Cost Adjustment Review Staff Recommendation	GR-2008-0136	Grissum, Roberta A.	Missouri Gas Utility, Inc.
Evaluation of Assets sold by KMB Utility Corporation to Liberty Water	SO-2011-0351	Grissum, Roberta A.	Algonquin Water Resources of Missouri, LLC dba Liberty Water
Capital Structure, Cost of Capital, Embedded Cost, Return on Equity: Direct Testimony Rebuttal Testimony Surrebuttal Testimony True-up Direct Cross-examined at Hearing	SR-2000-282	McKiddy, Roberta	Missouri-American Water Company
Rate Base and Related Issues, Maintenance Expense and Staff Accounting Schedules Staff Recommendation Filed	SR-2010-0346	Grissum, Roberta A.	KMB Utility Corporation
Surveillance Data Reporting	TM-2002-232	McKiddy, Roberta A.	Verizon/CenturyTel
Surveillance Data Reporting	WM-2001-309	McKiddy, Roberta A.	Missouri-American Water Company, et al
Revenue Requirement/Surcharge Rate Design (ISRS Filing) Staff Rec Filed and Approved	WO-2006-0284	Grissum, Roberta A.	Missouri-American Water Company, et al

Issue	Case Number	Witness	Case Name
Revenue Requirement, Rate Design/Surcharge (ISRS Filing) Staff Rec Filed and Approved	WO-2007-0043	Grissum, Roberta	Missouri-American Water Company
Revenue Requirement, Rate Design/Surcharge (ISRS Filing) Staff Rec Filed and Approved	WO-2007-0272	Grissum, Roberta	Missouri-American Water Company
Evaluation of Assets sold by KMB Utility Corporation to Liberty Water	WO-2011-0350	Grissum, Roberta	Algonquin Water Resources of Missouri, LLC dba Liberty Water
Capital Structure, Cost of Capital, Embedded Cost, Return on Equity: Direct Testimony Rebuttal Testimony Surrebuttal Testimony True-up Direct Cross-Examined at Hearing	WR-2000-281	McKiddy, Roberta	Missouri-American Water Company
Capital Structure, Cost of Capital, Embedded Cost, Return on Equity: Direct Testimony: All Issues Rebuttal Testimony: All Issues Surrebuttal Testimony: Return on Common Equity and Response to Depreciation Testimony of Company Witness Cross-Examined at Hearing	WR-2000-844	McKiddy, Roberta A.	St. Louis County Water Company
Cash Working Capital, Tank Painting Expense, Main Incident Expense, Facility Locates Expense and Advertising Expense: Direct Testimony Surrebuttal Testimony Most Issues Settled at Prehearing Cross-examined at Hearing re: Cash Working Capital	WR-2003-500	McKiddy, Roberta A.	Missouri-American Water Company
Bad Debt Expense, Chemical Expense, Fuel & Power Expense, Postage Expense, Purchased Water Expense, Revenues and Staff Accounting Schedules	WR-2007-0216 and WR-2007-0217	Grissum, Roberta A.	Missouri-American Water Company
Rate Base and Related Issues, Maintenance Expense and Staff Accounting Schedules Staff Recommendation Filed	WR-2010-0345	Grissum, Roberta A.	KMB Utility Corporation



**Thomas M. Imhoff**

**Present Position:**

I am the Manager of the Tariffs/Rate Design Energy Unit, Operations Division of the Missouri Public Service Commission. My unit participates and makes recommendations on tariff filings, and cases filed at the Commission such as rate, complaint, applications, territorial agreements, sales, and merger cases. We also perform and provide technical support on the issues of rate design, class-cost-of-service studies and customer weather normalizations.

**Educational Background and Experience:**

I attended Southwest Missouri State University at Springfield, Missouri, from which I received a Bachelor of Science degree in Business Administration, with a major in Accounting, in May 1981. I began employment with the Commission in October, 1981. In May 1987, I successfully completed the Uniform Certified Public Accountant (CPA) examination and subsequently received the CPA certificate. I am currently licensed as a CPA in the State of Missouri.

Summary of Cases in which prepared testimony was presented by:  
THOMAS M. IMHOFF

<u>Company Name</u>	<u>Case No.</u>
Terre-Du-Lac Utilities	SR-82-69
Terre-Du-Lac Utilities	WR-82-70
Bowling Green Gas Company	GR-82-104
Atlas Mobilfone Inc.	TR-82-123
Missouri Edison Company	GR-82-197
Missouri Edison Company	ER-82-198
Great River Gas Company	GR-82-235
Citizens Electric Company	ER-83-61
General Telephone Company of the Midwest	TR-83-164
Missouri Telephone Company	TR-83-334
Mobilpage Inc.	TR-83-350
Union Electric Company	ER-84-168
Missouri-American Water Company	WR-85-16
Great River Gas Company	GR-85-136
Grand River Mutual Telephone Company	TR-85-242
ALLTEL Missouri, Inc.	TR-86-14
Continental Telephone Company	TR-86-55
General Telephone Company of the Midwest	TC-87-57
St. Joseph Light & Power Company	GR-88-115
St. Joseph Light & Power Company	HR-88-116
Camelot Utilities, Inc.	WA-89-1
GTE North Incorporated	TR-89-182
The Empire District Electric Company	ER-90-138
Capital Utilities, Inc.	SA-90-224
St. Joseph Light & Power Company	EA-90-252
Kansas City Power & Light Company	EA-90-252
Sho-Me Power Corporation	ER-91-298
St. Joseph Light & Power Company	EC-92-214
St. Joseph Light & Power Company	ER-93-41
St. Joseph Light & Power Company	GR-93-42
Citizens Telephone Company	TR-93-268
The Empire District Electric Company	ER-94-174
Missouri-American Water Company	WR-95-205
Missouri-American Water Company	SR-95-206
Union Electric Company	EM-96-149
The Empire District Electric Company	ER-97-81
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
Laclede Gas Company	GR-99-315
Atmos Energy Corporation	GM-2000-312
Ameren UE	GR-2000-512
Missouri Gas Energy	GR-2001-292

Laclede Gas Company	GT-2001-329
Laclede Gas Company	GR-2001-629
Missouri Gas Energy	GT-2003-0033
Aquila Networks – L&P	GT-2003-0038
Aquila Networks – MPS	GT-2003-0039
Southern Missouri Gas Company, L.P.	GT-2003-0031
Fidelity Natural Gas, Inc.	GT-2003-0036
Atmos Energy Corporation	GT-2003-0037
Laclede Gas Company	GT-2003-0032
Union Electric Company d/b/a Ameren UE	GT-2003-0034
Laclede Gas Company	GT-2003-0117
Aquila Networks MPS & L&P	GR-2004-0072
Missouri Gas Energy	GR-2004-0209
Missouri Pipeline Company & Missouri Gas Company	GC-2006-0491
Atmos Energy Corporation	GR-2006-0387
Laclede Gas Company	GR-2007-0208
Missouri Gas Utility Company	GR-2008-0060
TriGen-Kansas City Energy Group	HR-2008-0300
Laclede Gas Company	GT-2009-0056
Missouri Gas Energy	GR-2009-0355
Empire District Gas Company	GR-2009-0434
Atmos Energy Corporation	GR-2010-0192
Laclede Gas Company	GR-2010-0171
Union Electric Company d/b/a Ameren UE	GR-2010-0363
Veolia Energy Kansas City, Inc.	HR-2011-0241
Ameren Missouri	ER-2012-0166
Kansas City Power & Light Company	ER-2012-0174
KCP&L Greater Missouri Operations Company	ER-2012-0175
The Empire District Electric Company	ER-2012-0345

## **Joel McNutt**

### **Present Position:**

I am a Regulatory Economist with the Tariffs/Rate Design Energy Unit, Operations Division of the Missouri Public Service Commission. My unit participates and makes recommendations on tariff filings, and cases filed at the Commission such as rate, complaint, applications, territorial agreements, sales, and merger cases. We also perform and provide technical support on the issues of rate design, class-cost-of-service studies and customer weather normalizations.

### **Educational Background and Experience:**

I attended Central Missouri State University at Warrensburg, Missouri, from which I received a Bachelor of Science degree in Economics, with a minor in Business Management, in May 2002. I began employment with the Commission in June, 2013. Prior to joining the Commission, I was employed with the Missouri Department of Economic Development for seven years as a Marketing Specialist. In this role, I worked with existing Missouri companies throughout the state for the purposes of retention and expansion through the use of various Missouri tax credit incentive programs. I also served as the Department's liaison to the Missouri Partnership, a quasi-governmental marketing arm of DED, whose sole responsibility was the attraction of new companies to Missouri through the use of state and local incentives. It was my role as a Marketing Specialist to represent the Missouri Department of Economic Development to a variety of local, state, and federal organizations.

Prior to beginning employment with the State of Missouri in 2006, I worked for different Jefferson City companies in the fields of healthcare, banking, and nuclear security.

**MISSOURI PUBLIC SERVICE COMMISSION**

**STAFF UPDATED REPORT ON  
INFRASTRUCTURE SYSTEM REPLACEMENT  
SURCHARGE FOR LIBERTY UTILITIES**

**APPENDIX 2**

**ISRS Rate Design  
Missouri Jurisdiction**

**LIBERTY UTILITIES**

**CASE NO. GO-2014-0006**

**Liberty Utilities**  
**Missouri Jurisdiction**  
**ISRS Rate Design (GO-2014-0006)**

<b>Total ISRS Revenues</b>	<b>\$1,360,949</b>
<i>Northeast District (NEMO)</i>	\$789,572
<i>Southeast District (SEMO)</i>	\$470,084
<i>West District (WEMO)</i>	\$101,293

August 2013 ISRS Rate Design							
Rate District & Class	Number of Customers*	Customer Charge	Ratio to Residential Customer Charge	Weighted Customer Numbers	Customer Percentage	ISRS Charge	ISRS Revenues
<i>Northeast District</i>							
Firm Residential	16,314	22.68	1.0000	16,314	80.5422%	<b>3.25</b>	\$635,939
Small Firm GS	2,107	22.68	1.0000	2,107	10.4023%	<b>3.25</b>	82,133
Medium Firm GS	321	100.00	4.4092	1,415	6.9876%	<b>14.32</b>	55,172
Large Firm GS	11	500.00	22.0459	243	1.1972%	<b>71.61</b>	9,453
Interruptible Large Volume	8	500.00	22.0459	176	0.8707%	<b>71.61</b>	6,875
<b>Total NEMO</b>	<b>18,761</b>			<b>20,255</b>	<b>100.0000%</b>		<b>\$789,572</b>
<i>Southeast District</i>							
Firm Residential	28,629	13.75	1.0000	28,629	77.0568%	<b>1.05</b>	\$362,232
Small Firm GS	3,375	13.75	1.0000	3,375	9.0840%	<b>1.05</b>	42,703
Medium Firm GS	543	100.00	7.2727	3,949	10.6292%	<b>7.67</b>	49,966
Large Firm GS	16	500.00	36.3636	582	1.5660%	<b>38.34</b>	7,362
Interruptible Large Volume	17	500.00	36.3636	618	1.6639%	<b>38.34</b>	7,822
<b>Total SEMO</b>	<b>32,580</b>			<b>37,153</b>	<b>100.0000%</b>		<b>\$470,084</b>
<i>West District</i>							
Firm Residential	3,389	20.17	1.0000	3,389	80.4341%	<b>2.00</b>	\$81,474
Small Firm GS	517	20.17	1.0000	517	12.2704%	<b>2.00</b>	12,429
Medium Firm GS	42	100.00	4.9579	208	4.9421%	<b>9.93</b>	5,006
Large Firm GS	4	500.00	24.7893	99	2.3534%	<b>49.66</b>	2,384
Interruptible Large Volume	-	500.00	24.7893	0	0.0000%	<b>0.00</b>	0
<b>Total WEMO</b>	<b>3,952</b>			<b>4,213</b>	<b>100.0000%</b>		<b>\$101,293</b>
<b>Total Missouri</b>	<b>55,293</b>			<b>61,622</b>	<b>100.0000%</b>		<b>\$1,360,949</b>

\*Average Annual Customers per Liberty Utilities Annual Report.

Firm Residential	48,332
Small Firm GS	5,999
Medium Firm GS	906
Large Firm GS	31
Interruptible Large Volume	25
	<b>55,293</b>

\* Due to rounding to the nearest penny, the designed ISRS rates will under collect by \$1,499. However, it should be noted that the total amount collected will be true-up at a later date.