

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

|   |                                     |
|---|-------------------------------------|
| In the Matter of the Verified Application and ) |                                     |
| Petition of Liberty Energy (Midstates) Corp. )  | <b><u>Case No. GO-2014-0006</u></b> |
| d/b/a Liberty Utilities to Change Its )         | Tariff File No. YG-2014-0004        |
| Infrastructure System Replacement Surcharge.)   |                                     |

**STAFF RECOMMENDATION**

**COMES NOW** the Staff (“Staff”) of the Missouri Public Service Commission (“Commission”), by and through the undersigned counsel, and in response to the Commission’s July 30, 2013 *Order Directing Filing of Staff Report* (“Order”) submits its *Staff Recommendation* to the Commission as set forth in detail in the attached appendices, and in support thereof respectfully states as follows:

1. On July 2, 2013, Liberty Energy (Midstates) Corp. d/b/a Liberty Utilities (“Liberty” or “Company”) filed a *Verified Application and Petition of Liberty Utilities to Change its Infrastructure System Replacement Surcharge* (“Application”), which included a motion for waiver from the notice requirement of Commission Rule 4 CSR 240-4.020(2) which requires a utility to file notice at least sixty (60) days prior to the filing of a case which is likely to be contested.
2. Liberty requests an adjustment to its ISRS rates and charges for ISRS eligible infrastructure system replacements through its ISRS rate schedule.
3. On July 30, 2013, the Commission issued its Order directing Staff to file its recommendation in this matter no later than September 3, 2013.
4. Commission Rule 4 CSR 240-3.265(11) states in part that “[t]he staff of the commission may examine the information of the natural gas utility provided pursuant

to this rule and sections 393.1009 to 393.1015, RSMo, to confirm the underlying costs and proper calculation of the proposed ISRS, and may submit a report regarding its examination to the commission not later than sixty (60) days after the natural gas utility files its petition.”

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

6. This filing represented Liberty’s second ISRS filing since acquiring the assets previously owned by Atmos Energy and since the conclusion of the sale of Atmos Energy assets to Liberty Utilities, Case No. GM-2012-0037. The rates related to Liberty’s previous ISRS Case No. GO-2013-0048 became effective on November 2, 2012. In addition, as part of the agreement in Case No. GM-2012-0037, Liberty adopted the currently effective ISRS authorized for Atmos Energy in Case No. GO-2011-0149, which became effective February 14, 2011.

7. Liberty initially filed a tariff sheet for this ISRS filing that would generate \$650,670. However, based on Staff’s examination and calculations contained in its Memorandum, attached hereto as Appendix A and incorporated herein by this reference, which includes several corrections and adjustments – including corrections

and adjustments relating to Liberty's prior ISRS filing – Staff has determined that the Company's ISRS rates should be designed to recover an incremental revenue requirement of \$606,978. The corrections and adjustments made by Staff are described in detail in the attached Appendix A.

8. Staff would note that Staff is currently awaiting further documentation from Liberty regarding the eligibility of certain of the infrastructure replacements costs included in Liberty's Application. At this time, Staff has not made any adjustments based on eligibility of the infrastructure replacements costs for this ISRS Application. However, should Staff's review of the forthcoming documentation reveal new information which would preclude some of the costs from being included in Staff's calculations, an additional filing by Staff in this case may be made to address those items.

9. Assuming there is no need to make an additional filing as set forth in paragraph 8, Staff recommends the Commission approve an incremental ISRS revenue requirement of \$606,978 for Liberty in this case. If this recommendation is accepted, Liberty's total ISRS revenue requirement will amount to \$1,359,339 which is a cumulative amount. That amount includes \$606,978 from the instant case and \$475,280 from GO-2013-0048, and \$277,081 from GO-2011-0149.

10. In preparing its ISRS rate schedules, Liberty deviated from Staff's accepted methodology in computing ISRS rates. Staff's proposed rates are consistent with the methodology used to establish Liberty's past ISRS rates and are consistent with the overall methodology used to establish ISRS rates for other utilities. Staff's

proposed ISRS rates are contained in Appendix B, attached hereto and incorporated by reference herein.

11. Staff does not object to Liberty's request for a waiver pursuant to Commission Rule 4 CSR 240-4.020(2).

**WHEREFORE**, Staff recommends the Commission issue an order in this case:

1. Rejecting the ISRS tariff sheet (YG-2014-0004) filed by Liberty on July 2, 2013;
2. Approving Staff's determination of the incremental ISRS surcharge revenues in the amount of annual pre-tax revenues of \$606,978, consisting of \$31,863 for the WEMO district, \$188,304 for the SEMO district, and \$386,811 for the NEMO district;
3. Authorizing Liberty to file an ISRS rate for each customer class as reflected in Appendix B; and
4. Approving Liberty's request for waiver of 4 CSR 240-4.020(2).

Respectfully submitted,

**/s/ Jeffrey A. Keevil**

Jeffrey A. Keevil  
Missouri Bar No. 33825  
Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 526-4887 (Telephone)  
(573) 751-9285 (Fax)  
[jeff.keevil@psc.mo.gov](mailto:jeff.keevil@psc.mo.gov)

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 3rd day of September, 2013.

**/s/ Jeffrey A. Keevil**