

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

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| In the Matter of the Verified Application of Liberty |) | |
| Utilities (Midstates Natural Gas) Corp. d/b/a Liberty |) | <u>File No. GT-2022-0079</u> |
| For Approval of Amendment to Rider PGA to Allow |) | Tariff No. JG-2022-0058 |
| Recovery Period Flexibility |) | |

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and for its *Staff Recommendation* respectfully states as follows:

1. On September 16, 2021, Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty (“Liberty Midstates”) filed its *Application for Approval of Amendment of Rider PGA Motion for Waiver of 60-Day Notice Requirement* (“Application”). To support its Application, Liberty Midstates submitted tariff sheet nos. 43 and 43a, Tariff No. JG-2022-0058, on September 16, 2021, as substituted on October 7, 2021, with an effective date of October 22, 2021, that reflects Liberty Midstates’ request stated in its Application for approval of changes to its Purchased Gas Adjustment Clause that will allow it the flexibility to spread the recovery of the gas costs from the Cold Weather Event over a longer period than the currently required 12 months.

2. On September 17, 2021, the Commission issued an Order directing Staff to file a recommendation regarding Liberty Midstates’ tariff (Tariff No. JG-2022-0058) no later than October 8, 2021.

3. On October 7, 2021, Liberty Midstates filed a revised substitute tariff sheets after Staff discussed concerns with Liberty Midstates regarding its initial revised tariff sheets filing.

4. Staff has reviewed Liberty Midstates' Application, submitted data requests to Liberty Midsates regarding its Application, and reviewed Liberty Midstates' tariff filings, Tariff No. JG-2022-0058, and submits its Staff Recommendation and accompanying and incorporated Memorandum.

5. As noted in the attached Memorandum, Staff has concerns that with this requested tariff change Liberty Midstates might seek recovery of carrying costs greater than "prime minus 2%" for the historical 2020-2021 ACA period that it will file in the next two to three weeks. Staff may object to the inclusion of these higher costs but notes that this requested tariff change does permit any party to dispute the level of carrying costs in a subsequent ACA proceeding.

6. Staff generally recommends that tariff changes be made in the context of a general rate case, where all relevant factors are examined by the Commission. However, Staff recognizes that the February 2021 Cold Weather Event resulted in an unprecedented spike in daily natural gas costs.¹ Staff is not opposed to the Commission approving, or allowing to go into effect by operation of law, Liberty Midstates' requested tariff, as substituted on October 7, 2021, Tariff No. JG-2022-0058.

7. Regarding Liberty Midstates' request that the Commission waive the 60-day filing notice required by 20 CSR 4240-4.017(1), Staff has reviewed Liberty Midstates' verified affidavit on pages 3-5 of its Application, and is not opposed to the Commission granting Liberty Midstates' request.

¹ See **Staff Report** in Case Nos. AO-2021-0264 and GO-2021-0366.

WHEREFORE Staff submits its *Staff Recommendation*, consistent with the Order issued on September 17, 2021, for the Commission's information and consideration.

Respectfully submitted,

/s/ Jamie S. Myers

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Attorney for Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record on this 8th day of October, 2021.

/s/ Jamie S. Myers

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GT-2022-0079, Tariff No. JG-2022-0058
Liberty Utilities (Midstates Natural Gas) Corp.

FROM: David M. Sommerer,
Regulatory Compliance Manager, Procurement Analysis

/s/ Mark L. Oligschlaeger 10/08/2021
Financial and Business Analysis Division/Date

/s/ Jamie S. Myers 10/08/2021
Staff Counsel's Office/Date

SUBJECT: Staff Recommendation in Liberty Utilities (Midstates Natural Gas) Corp.,
d/b/a Liberty Application to Amend its Purchased Gas Adjustment (“PGA”) Clause

DATE: October 8, 2021

On September 16, 2021, Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty (“Liberty Midstates” or “Company”), filed its *Application for Approval of Amendment of Rider PGA Motion for Waiver of 60-Day Notice Requirement* (“Application”) for approval to amend its Purchased Gas Adjustment Clause to extend the Actual Cost Adjustment (“ACA”) recovery period beyond twelve months. To support its Application Liberty submitted tariff sheet nos. 43 and 43a in Tariff No. JG-2022-0058 on September 16, 2021 and substituted on October 7, 2021, with an effective date of October 22, 2021.

On September 17, 2021, the Commission issued an Order requiring Staff to file a Recommendation regarding Liberty’s Application no later than October 8, 2021.

In February 2021 the United States experienced a major winter storm with the cold weather reaching southern states resulting in wellhead freeze-offs and extraordinary gas costs for utility companies. As explained in Staff’s report in Case No. AO-2021-0264¹, during the February 2021 Cold Weather Event² daily natural gas prices spiked to unprecedented levels for interstate pipelines serving Missouri. Liberty Midstates estimates its incremental gas costs from this Cold Weather Event to be \$7.5 million dollars³ - approximately one third of its typical annual costs. Liberty is required to update its ACA factor in its upcoming PGA/ACA to be filed between October 15 and November 4, 2021. The ACA factor will be updated to reflect the reconciliation of actual gas costs with revenue recoveries for the period of September 1, 2020 through August 31, 2021, which includes the extraordinary gas cost resulting from the February 2021 Cold Weather Event. Rather than recovering

¹ Case No. AO-2021-0264, Staff Report pages 59-61.

² Also known as Winter Storm Uri.

³ Case No. AO-2021-0264, docket item no. 10, February 2021 Cold Weather Event Workshop Presentation: Liberty Midstates– March 23, 2021, slide 4.

its gas costs over twelve months as its current tariff requires⁴, Liberty Midstates is requesting the Commission approve changes to its PGA Clause that will allow it the flexibility to spread its recovery of the gas costs from the Cold Weather Event over a longer period than the required 12 months.

Interest is accrued on the average ACA account balance at the prime bank lending rate minus 2%⁵. By spreading the gas cost recovery over more than one year, customers will pay more in carrying costs than they would have to pay under the normal operation of the ACA mechanism. However spreading these gas costs over a longer period than its current tariff requires helps to mitigate the impact to customer bills on an overall basis.

On October 7, 2021, Liberty Midstates filed a substitute tariff to address some concerns raised by Staff. The substitute tariff clarifies that Staff and the Office of Public Counsel may also request deferral of ACA under-recoveries. It limits deferrals to “under-recoveries” not “over-recoveries”. It places a cap on the number of years of deferral at a maximum of 5 years. It clarifies that these deferrals are related to extraordinary events and requires an affidavit in support of such deferral requests.

Certain clarifications with regard to “carrying costs” were also made in the substitute tariff. However, the Staff continues to express concern that the Company might be seeking recovery of carrying costs greater than “prime minus 2%” for the historical 2020-2021 ACA period that it will file in the next two to three weeks. The Staff may object to the inclusion of those higher carrying costs at the time of the Company’s upcoming mandatory ACA filing. The substitute tariff does clarify the ability of the parties to dispute the level of carrying costs in a subsequent ACA proceeding.

Staff’s ACA review of the prudence of the Company’s actions leading up to and during the February 2021 Cold Weather Event will occur during 2022 with a Staff recommendation expected in December 2022.

Staff has verified that Liberty has filed its annual report, and is not delinquent on its PSC assessment.

Staff has reviewed this filing and generally recommends tariff changes be made in a general rate case. However in this instance because of the extraordinary gas cost impact to customer bills and the mandatory November 2021 ACA factor update, Staff is not opposed to the Commission approving, or allowing to go into effect by operation of law, the following tariff sheet filed in Tariff No. JG-2022-0058 on September 16, 2021 and substituted on October 7, 2021:

P.S.C. MO. No. 2

2nd Revised Sheet No. 43 Cancelling 1st Revised Sheet No. 43
Original Sheet No. 43a

⁴ Tariff Sheet No. 43.

⁵ Tariff Sheet No. 43.

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of Liberty Utilities (Midstates Natural Gas)) Case No. GT-2022-0079
Corp. d/b/a Liberty for Approval of)
Amendment to Rider PGA to Allow)
Recovery Period Flexibility)

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DAVID M. SOMMERER and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in Memorandum form; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.


DAVID M. SOMMERER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8th day of October 2021.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070


Notary Public