

**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**
)

**STAFF REPORT IN RESPONSE TO ORDER DIRECTING FILING REGARDING
COMPLIANCE WITH SECTION 393.275.1 RSMo**

COMES NOW the Staff of the Missouri Public Service Commission, through the undersigned counsel, and respectfully states as follows:

1. On January 22, 2015, the Commission issued, by delegation of authority, an *Order Directing Filing Regarding Compliance with Section 393.275.1 RSMo* ("Order").

2. Section 393.275.1 RSMo provides:

The commission shall notify the governing body of each city or county imposing a business license tax pursuant to section 66.300, 92.045, 94.110, 94.270 or 94.360, or a similar tax adopted pursuant to charter provisions in any constitutional charter city with a population of at least three hundred fifty thousand inhabitants which is located in more than one county, on gross receipts of any gas corporation, electric corporation, water corporation or sewer corporation of any tariff increases authorized for such firm doing business in that city or county if the approved increase exceeds seven percent. The commission shall include with such notice to any city or county the percentage increase approved for the utility, together with an estimate of the annual increase in gross receipts resulting from the tariff increase on customers residing in that city or county. The provisions of this subsection shall not apply to rate adjustments in the purchase price of natural gas which are approved by the commission.

3. The Order directed “Staff to file a report explaining whether this statutory provision applies to this case and, if so, what percentage rate increase the Commission awarded Liberty Utilities” no later than February 2, 2015.

4. Staff would first note that natural gas general rate cases present certain difficulties in determining the percentage rate increase awarded which are not present in cases involving the other utilities regulated by the Commission. First, as the Commission is aware, natural gas general rate cases address only the margin, or base, rates (*i.e.*, the non-commodity or non-gas rates, sometimes referred to as the “base distribution rates”), whereas the actual cost of the natural gas itself (the commodity cost) is addressed through the PGA/ACA rate.¹ Second, in a natural gas general rate case, if the company has a previously-established Infrastructure System Replacement Surcharge (“ISRS”) in its approved tariffs, the ISRS amount is moved into (included as part of) the margin, or base, rates and the ISRS is “zeroed out.” In other words, what the customers had been paying through the ISRS they will now be paying through the margin/base rates.

5. As a result of the matters discussed above, there can be, and often is, a significant difference between the percentage increase in the margin rate revenues and the percentage increase in total rate revenues which result from a natural gas general rate case. The table below shows both of these percentages in this rate case for Liberty Utilities, by district:

¹ Proposals to change PGA/ACA tariff language which may affect the PGA/ACA process and the type of costs which are allowed to be included in the PGA/ACA are often addressed in general rate cases; however, the PGA/ACA costs/rates themselves are determined in separate PGA/ACA cases rather than a general rate case.

<u>District</u>	<u>% Increase in Margin Rate Revenues</u>	<u>% Increase in Total Rate Revenues</u>
NEMO	24.55%	5.17%
SEMO	27.11%	7.05%
WEMO	17.76%	3.91%

Since the percentage increase in total rate revenues for the SEMO District exceeds seven percent (7%) as shown in the table above, Staff provides the following table which shows the percentage increase in total rate revenues by rate class within the SEMO District:

	<u>% Increase in Total Rate Revenues</u>
Residential Gas Service	7.65%
Small General Service Com.	5.07%
Medium General Service Com.	7.61%
Large General Service Com.	6.31%
Small General Service Sch. & Transp.	4.17%
Medium General Service Sch. & Transp.	7.77%
Large General Service Sch. & Transp.	5.63%
Interruptible Service	7.11%
SEMO District Increase	7.05%

6. In this instance Staff believes that, for purposes of Section 393.275.1 RSMo, the percentage increase in total rate revenues should be used.² Since the percentage increase in total rate revenues in Liberty Utilities' SEMO District exceeds seven percent (7%), Staff believes that Section 393.275.1 applies in this case, but only to the SEMO District.

7. So that the Commission may, pursuant to Section 393.275.1 RSMo, notify the governing body of each city or county in the SEMO District in which Liberty Utilities

² See 4 CSR 240-10.060(1) *Gross Receipts Tax* which refers to "an increase in annual revenues in excess of seven percent (7%) in the whole or any part of [the] company's service territory."

does business that imposes a business license tax or similar tax on gross receipts of the percentage increase approved and the estimated annual increase in gross receipts resulting from the rate increase on customers residing in such city or county, **Staff recommends that the Commission direct Liberty Utilities to provide³ to the Commission:**

(a) a list (with mailing addresses) of the cities and counties in the SEMO District in which Liberty Utilities does business that impose a business license tax or similar tax upon its gross receipts, and

(b) an estimate of the annual increase in gross receipts resulting from the rate increase on customers residing in each such city or county in the SEMO District and explanation of the method used in developing the estimate.⁴

WHEREFORE Staff prays that the Commission accept this report in compliance with the Commission's *Order Directing Filing Regarding Compliance with Section 393.275.1 RSMo*, and direct Liberty Utilities to comply with Staff's recommendations set forth above.

³ See 4 CSR 240-10.060(1) *Gross Receipts Tax* which requires the utility to provide this information when it files a tariff which includes an increase in annual revenues in excess of seven percent (7%).

⁴ The information in paragraph 7(a) and (b) will have to come from Liberty Utilities, since Staff does not possess this information.

Respectfully submitted,

/s/ Jeffrey A. Keevil

Jeffrey A. Keevil
Senior Staff Counsel
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

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 2nd day of February 2015.

/s/ Jeffrey A. Keevil