

**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	)	Case No. GR-2014-0152
Increase for Natural Gas Service in the	)	
Missouri Service Areas of the Company	)	

**PUBLIC COUNSEL'S STATEMENT OF POSITIONS**

COMES NOW the Missouri Office of the Public Counsel and for its Statement of Positions provides Public Counsel's positions on the remaining issues as follows:

**1. Cost of Capital:**

**a. *What capital structure should the Commission use in this case to determine a revenue requirement for Liberty?***

The Commission should use the capital structure of Liberty Utilities Company in determining revenue requirement, as recommended by Commission Staff witness Mr. Zephania Marevangepo.

**b. *What is the appropriate embedded cost of debt that the Commission should apply in this case to determine a revenue requirement for Liberty?***

The Commission should apply the embedded cost of debt of Liberty Utilities Company in determining revenue requirement, as recommended by Commission Staff witness Mr. Zephania Marevangepo.

**c. *What is the appropriate cost of equity that the Commission should apply in this case to determine a revenue requirement for Liberty?***

The Commission should apply an 8.20% return on equity to determine revenue requirement, which is the low end of the 8.20%-9.20% range recommended by Commission Staff witness Mr. Zephania Marevangepo.

**2. Contract Customers:**

**a. *Is Liberty currently authorized to enter into special contracts at non-tariffed rates with its customers in Missouri, such as Noranda and General Mills?***

Yes, until the effective date of rates approved in this case. In the last Atmos Energy Company rate case, Case No. GR-2010-0192, the Commission approved the following agreement between the parties:

The Signatories agree that Atmos shall offer to extend the special contracts of Noranda and General Mills to expire on the effective date of rates approved in Atmos' next general rate case. The rates for such extended period shall be those in effect at the end of the respective contract's original term. This paragraph shall not be construed to limit the ability of Atmos and Special Contract customers: i) to accept alternative mutually agreeable contract provisions; or ii) to enter into alternative mutually agreeable contracts for service.

**b. *If Liberty is not currently authorized to enter into special contracts at non-tariffed rates with its customers in Missouri such as Noranda and General Mills, should the Commission authorize Liberty to adopt a tariff to allow it to enter into such special contracts? If yes, what should such tariff state?***

Prior to authorizing discounted rates under a special contract, the Commission should require Liberty to conduct a Class Cost of Service study to determine the costs of serving the special contract customer and the impact on other ratepayers of approving the special contract. Any tariff authorizing special contracts should state that prior to allowing Liberty to charge other customers for any discount it gives to a special contract customer, that Liberty is required to justify that the discount is necessary to retain the customer and that other customers receive a net benefit from providing the discount rate.

(Rebuttal Testimony of Barbara Meisenheimer, pp. 11-13; Surrebuttal Testimony of Barbara Meisenheimer, pp. 1-2).

**c. *What rate should the Commission use to calculate Liberty's revenues from Noranda and General Mills for purposes of this rate case?***

If the Company does not demonstrate that a continued discounted rate is justified, the Commission should use tariff rates when calculating the current and proposed class revenues associated with Noranda and General Mills. (Surrebuttal Testimony of Barbara Meisenheimer, pp. 1-2).

**d. *What rate should the Commission use to calculate Liberty's revenues from SourceGas for purposes of this rate case?***

If the Company does not demonstrate that a continued discounted rate is justified, the Commission should use tariff rates when calculating the current and proposed class revenues associated with SourceGas. (Surrebuttal Testimony of Barbara Meisenheimer, pp. 1-2).

**3. Depreciation: *What depreciation rates should be ordered by the Commission for corporate plant accounts 399.1, 399.3, 399.4 and 399.5?***

The Commission should order the depreciation rates that it already ordered Liberty to use for USOA Account 399 (4.75% or 5.00%) until such time that Liberty performs and presents a depreciation study to the Commission (Surrebuttal Testimony of William Addo, pp. 2-6).

**4. Cost of Removal: *Should Liberty's accumulated depreciation reserve balances be increased, and rate base decreased, to reflect removing cost of removal from the accumulated depreciation reserve calculation? If yes, by how much?***

Yes. Liberty should reduce rate base by approximately \$8.4 million, which Public Counsel believes represents the total accrued cost of removal. Liberty has not

provided evidence proving that the \$8.4 million was trued-up to reflect the actual cost of removal (Surrebuttal testimony of William Addo, pp. 7-8).

**5. ISRS: *Should Liberty's revenue requirement be decreased to remove certain costs included in Liberty's ISRS? If yes, by how much?***

Yes. Liberty's revenue requirement should be decreased to reflect costs included in Liberty's ISRS for third-party damages to infrastructure and for certain leak repairs that should have been expensed rather than capitalized. For third-party damages, approximately \$492,000 should be excluded from the ISRS. For leak repairs, \$1,016,304 should be excluded from the ISRS, unless Liberty is able to demonstrate that it was reasonable to capitalize practically all leak repairs (Rebuttal Testimony of William Addo, pp. 5-6; Surrebuttal Testimony of William Addo, pp. 8-10).

**6. Rate Design and Related Issues:**

**a. *How should rates be designed to reflect any change in rates from the outcome of this case?***

Any change in rates resulting from this case should be designed to apply any rate change on an equal percentage basis across all customer classes. Any change in rates resulting from this case should be designed to maintain low customer charges for residential and small business rate classes. (Rebuttal Testimony of Barbara Meisenheimer, pp. 4-23).

**b. *Should the customer charge in the NEMO and WEMO districts of Liberty be decreased from their current levels?***

Yes. The customer charge for the Residential class in the NEMO should be lowered from the current rate of \$22.68 to \$15.00. The customer charge for the Residential class in the WEMO should be lowered from the current rate of \$20.17 to \$15.00. (Rebuttal Testimony of Barbara Meisenheimer, pp. 14-22).

c. *Should Liberty’s “foregone delivery charge,” which is charged to customers who leave and return to the Liberty system within seven or fewer months, be eliminated?*

Yes. (Rebuttal Testimony of Barbara Meisenheimer, pp. 22-23).

7. **Energy Efficiency and Weatherization Program:**

a. *Should Liberty have an evaluation, measurement and verification (EM&V) performed to determine the cost-effectiveness of an energy efficiency program before making any future expenditures on the program?*

Yes. (Surrebuttal Testimony of Geoff Marke, pp. 2-6).

b. *Should low income weatherization assistance funding be in addition to the 0.5 percent target funding level for energy efficiency, or should the 0.5 percent target funding level include energy efficiency and low income weatherization assistance programs combined?*

Public Counsel supports an annual funding level of \$105,000 for low-income weatherization. Public Counsel does not support a 0.5 percent annual target funding level, or any other arbitrary target, for either energy efficiency or weatherization (Surrebuttal Testimony of Geoff Marke, pp. 2-6).

WHEREFORE, the Office of the Public Counsel respectfully submits this statement of positions.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 3<sup>rd</sup> day of September 2014:

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