

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

In the matter of Atmos Energy Corporation's)
2010-2011 Purchased Gas Adjustment and) Case No. GR-2011-0161
Actual Cost Adjustment)

**LIBERTY ENERGY (MIDSTATES)
CORP. D/B/A LIBERTY UTILITIES'
RESPONSE TO STAFF RECOMMENDATION**

COMES NOW Liberty Energy (Midstates) Corp. d/b/a Liberty Utilities (“Liberty” or “Company”), and pursuant to 4 CSR 240-2.080 and the Commission’s Order Directing Response (“Order”) issued on December 26, 2012 states its response to the Staff’s Recommendation filed on December 21, 2012 as follows:

On December 21, 2012 the Commission Staff (“Staff”) filed its recommendation following completion of the audit of Atmos Energy Corporation’s (“Atmos”) 2010-2011 Actual Cost Adjustment (“ACA”) filing. Liberty Utilities purchased Atmos’ Missouri assets and operations after the ACA period subject to review in this case. Although Staff’s recommendation refers to Atmos, the Order states that as Atmos’ successor in interest, Liberty is responsible for responding to Staff’s recommendation. The Staff’s audit consisted of a review and analysis of the billed revenues and actual gas costs for the period of September 1, 2010 to August 31, 2011 for all areas served by the Company in Missouri. The Company will respond to various issues identified by Staff in paragraphs corresponding to those sections contained in the Staff Memorandum.

SECTION 1: ATMOS ENERGY CORPORATION, GENERAL

Staff made the following recommendations with regard to the overall Atmos Energy Corporation: “The Staff recommends that the Commission issue an order requiring Liberty to:

1. Respond to the issues in the Reliability Analysis and Gas Supply Planning section of this memorandum. (There is no financial adjustment related to Reliability or Supply Planning

- for this ACA review period.)
2. Respond to Staff's comments in the Hedging section. (There were no financial adjustments related to Hedging).
 3. Respond to the Cash-out section for school transportation customers outlined in Section 1.
 4. Respond to the Southeast and West areas as outlined in Sections 2 and 3.

RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

In the Reliability Analysis and Gas Supply Planning section of GR-2011-0161, the Staff recommends that the Company factor into its capacity and supply planning, the possibility of a late winter peak day and the corresponding storage availability at that time. Although the Company has determined that a peak day is most likely to occur in January, the Company still believes that a peak day could very well occur in February after the first storage ratchet level on the Texas Eastern SS-1 storage contract #400227 has been reached. For reliability purposes, in its current peak day model the Company utilizes its first ratchet level on the Texas Eastern SS-1 storage contract of 9,637 Dth. This results in a reserve margin of 4.16%, which the Company believes to be reasonable and prudent.

HEDGING

In the Hedging Analysis and Gas Supply Planning section of GR-2011-0161, the Staff has made multiple recommendations related to the Company's current hedging plan including, but not limited to, maintaining a flexible hedging plan to accommodate changing market dynamics, continued evaluation of the effectiveness of the Company's hedging strategy, the evaluation of the hedging strategy as it relates to operational implications of the four systems and the possible inclusion of additional physical price hedges in addition to storage.

The Company is very appreciative of Staff's recommendations and notes that many of the recommendations recognize that the Company's hedging plan already conforms to Staff's recommendations and the Company will endeavor to continue to maintain its hedging program in accordance with such recommendations. Specifically, the Company's hedging plan is flexible and

can accommodate changing market dynamics by having both the discretion in volume ultimately hedged between 25% - 50% and whether the hedges used are swaps or options. In addition, the Company's hedging plan does consider the operational impacts on the four systems by establishing hedge percentages that take into account the possibility of a warmer than normal winter and, moreover, by utilizing over-the-counter financial hedges instead of physical so that none of the four systems is exposed to an oversupply commitment or to purchasing at a location that, while reliable today, may be restricted at time of delivery in the future.

In addition, in light of the current open Docket on hedging practices in File No. EW-2013-0101, the Company will factor into its future hedging strategy any recommendations in said Docket.

CASH-OUT SECTION FOR SCHOOL TRANSPORTATION CUSTOMERS

In this section Staff noted that "because the tariffs were not followed for the transactions mentioned above, there were some differences in Staff's cash-out calculations. In total, the differences were small so Staff did not propose any cash out adjustments in this ACA. Going forward, Staff recommends that the Company apply the applicable cash-out rate as published at the end of each month."

Liberty will compare the monthly imbalance to the Cash out price template to ensure going forward. Liberty will apply the applicable cash-out rate as published at the end of each month.

SECTION 2 –SOUTHEAST AREA

In this section, Staff found the wrong fuel percentages were used to establish cash-out prices for monthly imbalance volumes causing small differences in Atmos' calculation and Staff's calculation. Staff recommended that the Company make the proper corrections to the fuel charges for these three customers going forward.

Liberty will use the correct fuel percentages going forward.

SECTION 3 – WEST AREA

In this section, Staff found inconsistencies in the Company's calculation of PEPL storage injection costs. Staff recommended that the Company re-evaluate the PEPL commodity components used in its calculation of PEPL storage injection costs for Butler customers.

We have reviewed the PEPL commodity components to ensure that the calculation of the PEPL storage injection cost is correct. We have implemented a system of checks and balances to ensure that storage injection and withdrawal calculations are correct. We will have one employee prepare storage and withdrawal calculations and another employee review entries for accuracy.

SUMMARY

In summary, the Company agrees with most of the recommendations proposed by Staff, and reserves the right to further review and respond to Staff when it files its updated balances giving effect to the Commission's orders.

WHEREFORE, the Company respectfully submits its preliminary Response.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of this document has been hand-delivered, emailed or mailed, First Class, postage prepaid, this 28th day of January, 2013, to:

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/s/ James M. Fischer

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