

**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') **File No. GR-2018-0077**
Purchase Gas Adjustment Tariff Filing)

**LIBERTY UTILITIES' RESPONSE
TO STAFF RECOMMENDATION**

COMES NOW Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty” or “Company”) and, pursuant to the Commission’s *Order Directing Filing* issued in this matter on December 17, 2018, states its response to the Staff Recommendation Regarding Liberty Utilities’ 2016-2017 Actual Cost Adjustment Filing (“Staff Recommendation”)¹ filed December 17, 2018, as follows:

As noted in the Staff Recommendation, Liberty filed its Actual Cost Adjustment (“ACA”) for the 2016-2017 period in this case on November 3, 2017, setting forth Liberty’s ACA account balance calculation. The Staff Recommendation follows Staff’s audit and analysis of Liberty’s filing. The Staff’s audit included a review and evaluation of the billed revenues and natural gas costs for the period of September 1, 2016, to August 31, 2017, for all areas served by the Company in Missouri.

LIBERTY’S RESPONSE TO STAFF TECHNICAL REPORT AND ANALYSIS

I. BILLED REVENUE AND ACTUAL GAS COSTS

As indicated on page 3 of 7 of the Staff Memorandum, Staff proposed adjustments in all districts related to approved adjustments in Case No. GR-2017-0089 that were not incorporated

¹ The Staff Recommendation includes its accompanying “Staff Recommendation Memorandum” (marked Appendix A) which will be referred to herein as the “Staff Memorandum.”

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in the Company's filed balances in its November 3, 2017 ACA filing. However, as stated in the Staff Memorandum on page 3 of 7, "[t]he Staff has proposed no prudence disallowances related to this section of Staff's recommendation for this ACA period."

Liberty accepts the proposed adjustments set forth in Sections I and IV of the Staff Memorandum related to previously approved balances therein.

II. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As noted at page 3 of 7 of the Staff Memorandum, "Staff has no proposed financial adjustments for the 2016-2017 ACA period related to reliability analysis and gas supply Planning."

Reserve Margins

At page 3 of the Staff Memorandum, Staff notes that ** _____

_____. Liberty should address these issues as part of the report:

- _____

_____.
- _____
_____.
- _____
_____.

- _____

- _____

- _____

- _____

In response, Liberty accepts this recommendation to file a report, and states that it remains dedicated to maintaining appropriate reserve margins in all of its service areas.

Stateline Service Area

Staff states the following at page 4 of 7 of the Staff Memorandum:

** _____

Liberty accepts this recommendation.

III. HEDGING

On page 5 of 7 of the Staff Memorandum, Staff recommends “the Company continue to assess and document the effectiveness of its hedges for the 2018-2019 ACA and beyond. The analysis should include, but not be limited to, whether the hedging implementation was consistent with the hedging plan, identifying the benefits/costs based on the outcomes from the hedging strategy, and thus evaluating any potential improvements on the future hedging plan and its implementation. Additionally Staff recommends the Company evaluate whether the hedging plan for each of the four systems has operations implications for warm and cold weather conditions. Finally, Staff recommends the Company continue to monitor the market movements diligently, employ *disciplined* (triggered primarily by the passage of time) as well as

discretionary (hedge decision influenced by the Company’s view of favorably pricing environments) approaches in its hedging practices, **_____

_____ **

At page 6 of 7 of the Staff Memorandum, Staff concludes that “[t]here is no financial adjustment related to Hedging.”

Liberty accepts these recommendations.

**IV. LIBERTY’S RESPONSE TO ACA ACCOUNT BALANCES
RECOMMENDED BY STAFF**

At page 6 of 7 of the Staff Memorandum, Staff recommends the following adjustments to the Company’s filed (over)/under-recovered ACA balances:

The Staff recommends that the Commission issue an order requiring Liberty to:

1. Adjust the ACA account balances in its next ACA filing to reflect the following Staff adjustments and to reflect the (over)/under-recovered ACA balances in the “Staff Proposed Balances 8/31/17” column of the following table:

A positive ACA balance indicates an under-collection that must be recovered from customers. A negative ACA balance indicates an over-recovery that must be returned to customers.

All Areas:	Company Filed Balance 8/31/17	Staff Adjustments	Staff Proposed Balances 8/31/17
<u>SEMO Area</u>			
Demand ACA	\$ 2,001,688.86	\$ 75,209.70 (A)	\$ 2,076,898.56
Commodity ACA	\$ (696,964.15)	\$ (2,512.77) (A) \$ (10,627.63) (A)	\$ (710,104.55)
<u>Kirksville Area</u>			
Demand ACA	\$ 721,471.24	\$ (1,952.65) (A)	\$ 719,464.59
Commodity ACA	\$ (593,625.56)	\$ (5,576.05) (A)	\$ (599,201.61)
<u>WEMO Area</u>			
Demand ACA	\$ (13,090.59)	\$ (30,084.46) (A)	\$ (43,175.05)

Commodity ACA	\$ (60,878.09)	\$ 30,084.46 (A)	\$ (30,793.63)
<u>NEMO Area</u>			
Demand ACA	\$ 340,540.53	\$ (1,050.16) (A)	\$ 339,490.37
Commodity ACA	\$ (23,282.68)	\$ (2,914.93) (A)	\$ (26,197.61)

(A) Commission Order issued 1/31/2018 approving adjusted amounts from GR-2017-0089

Liberty accepts the monetary adjustments to the ACA balances recommended by Staff and the resulting Staff Balances for 2016-2017 ACA (ending 8-31-17).

V. SUMMARY

In summary, the Company agrees with the ACA balance adjustments proposed by Staff and generally accepts the other recommendations included in the Staff Memorandum, as discussed herein.

WHEREFORE, the Company respectfully recommends that the Commission issue its Order Approving ACA Balances, as recommended by Staff.

Respectfully submitted,

/s/ James M. Fischer

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ATTORNEY FOR LIBERTY UTILITIES

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of this document has been hand-delivered, e-mailed or mailed, First Class, postage prepaid, this 15th day of January, 2019, to:

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