

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

In the Matter of a Working Case to Consider            )  
Proposals to Create a Revenue Decoupling            )     **File No. AW-2015-0282**  
Mechanism for Utilities                                    )

**INITIAL COMMENTS OF LIBERTY UTILITIES**

COMES NOW Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty Utilities”) and respectfully offers its preliminary comments in this matter pursuant to the Missouri Public Service Commission’s (“Commission”) Order Opening A Working Case To Consider Proposals To Implement A Revenue Decoupling Mechanism For Missouri’s Utilities (“Order”) issued July 22, 2015, and Notice Scheduling Workshop and Requesting Responses issued on August 5, 2015 (“Notice”).

As reflected in the Commission’s Notice, “[t]he Commission opened this file to facilitate Staff’s efforts to investigate the structure and operation of possible revenue decoupling mechanisms for use in Missouri.” Liberty Utilities appreciates the opportunity to provide its preliminary comments on the subject of revenue decoupling mechanisms, and intends to participate in the workshop currently scheduled to be held on September 17. While the Commission’s Order notes that the genesis of this working case was a revenue decoupling mechanism proposed by Missouri-American Water Company that “would allow utilities to seek a Commission order that would allow them to track actual revenues between rate cases and to true-up actual revenues against the authorized revenue requirement in a future rate case,”<sup>1</sup> the term “revenue decoupling” is often used to “describe a diverse set of rate treatments designed to

---

<sup>1</sup> Order, page 1.

facilitate recovery of allowed revenue. The link between a utility's revenue and its sales is thereby weakened."<sup>2</sup>

Liberty Utilities is generally supportive of properly structured decoupling mechanisms, which can provide substantial benefits to both customers and the company's shareholders. Indeed, in the State of Massachusetts, Liberty Utilities (New England Natural Gas Company) Corporation's "Revenue Decoupling Adjustment Clause" establishes procedures that allow that Company to adjust, on a semi-annual basis, its rates for firm gas sales and firm transportation service in order to reconcile Actual Base Revenue per Customer with Benchmark Base Revenue per Customer. As stated in the tariff's Purpose section, "The Company's Revenue Decoupling Adjustment eliminates the link between customer sales and Company earnings in order to align the interests of the Company and customers with respect to lowering customer usage." Such alignment reduces a company's disincentive to promote energy efficiency, resulting in additional cost savings for customers.

Edison Electric Institutes' *Alternative Regulation for Evolving Utility Challenges: An Updated Survey*, suggests that "three approaches to decoupling are well established: decoupling true up plans, lost revenue adjustment mechanisms ("LRAMs"), and fixed variable pricing."<sup>3</sup> Stepping into the shoes of Atmos Energy Corporation in 2012, Liberty Utilities adopted Atmos' rate tariffs, whose residential and small firm general service components were deemed straight fixed variable ("SFV") in nature by virtue of the rate design adopted by the Commission in previous rate proceedings.<sup>4</sup>

---

<sup>2</sup> *Alternative Regulation for Evolving Utility Challenges: An Updated Survey*, Edison Electric Institute ("EEI"), January 2013, p. 15.

<sup>3</sup> *Id.*

<sup>4</sup> The delivery charge levels have been changed by virtue of stipulation and agreements addressing rate design in subsequent rate proceedings.

As the Initial Comments of the Missouri Energy Development Association (“MEDA”) point out, the Commission’s use of a straight fixed variable rate design has been found to be a lawful exercise of its regulatory authority.<sup>5</sup> As MEDA’s legal discussion further supports, a revenue decoupling mechanism that has as its principal operating feature a tracker to account for revenues is lawful under §393.140.4, RSMo. 2000.<sup>6</sup> In addition, Missouri statutes expressly provide that any gas corporation “may make an application to the commission to approve rate schedules authorizing periodic rate adjustments outside of general rate proceedings to reflect the nongas revenue effects of increases or decreases in residential and commercial customer usage due to variations in either weather, conservation, or both.” Section 386.266.3, RSMo.

While clearly depending on the specific mechanism that may be adopted, at this time Liberty Utilities believes that revenue decoupling should occur on a per customer basis. Obviously, another important consideration is identifying which customer classes will be included in the mechanism ultimately adopted. Liberty Utilities looks forward to active participation in this working docket and sharing information that will further the Commission’s knowledge on the subject of this case.

---

<sup>5</sup> Initial Comments of the Missouri Energy Development Association, page 3, footnote 5, citing *State ex rel. Office of the Public Counsel v. Public Service Commission*, 367 S.W. 3d 91 (Mo. App. S.D. 2012); *State ex rel. Office of the Public Counsel, et al. v. Public Service Commission*, 293 S.W.3d 63 (Mo. App. S.D. 2009).

<sup>6</sup> *Id.*, pages 4-5. All statutory citations are to the Missouri Revised Statutes (2000), as amended unless otherwise noted. See, *State ex rel. Noranda Aluminum, Inc., v. Public Service Commission*, 356 S.W.3d 293, 320 (Mo. App. S.D. 2011), involving the use of an expense tracker.

Respectfully submitted,

**/s/ Larry W. Dority**

---

James M. Fischer, MBN 27543  
email: [jfischerpc@aol.com](mailto:jfischerpc@aol.com)  
Larry W. Dority, MBN 25617  
email: [lwdority@sprintmail.com](mailto:uwdority@sprintmail.com)  
Fischer & Dority, P.C.  
101 Madison Street, Suite 400  
Jefferson City, MO 65101  
Telephone: (573) 636-6758  
Facsimile: (573) 636-0383

Attorneys for Liberty Utilities (Midstates Natural  
Gas) Corp. d/b/a Liberty Utilities

**Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 1<sup>st</sup> day of September, 2015.

**/s/ Larry W. Dority**

---

Larry W. Dority