

Exhibit No.:  
Issues: Rate Design, Special  
Contracts, Low Income  
Weatherization  
Witness: Thomas M. Imhoff  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: GR-2014-0152  
Date Testimony Prepared: August 15, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**TARIFF, SAFETY, ECONOMIC AND  
ENGINEERING ANALYSIS**

**SURREBUTTAL TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.  
d/b/a LIBERTY UTILITIES**

**CASE NO. GR-2014-0152**

*Jefferson City, Missouri  
August 2014*

**\*\*Denotes Highly Confidential Information\*\***

**\* Denotes Proprietary Information \***

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

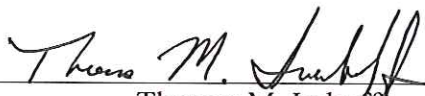
In the Matter of Liberty Utilities )  
(Midstates Natural Gas) Corp. d/b/a )  
Liberty Utilities' Tariff Revisions )  
Designed to Implement a General Rate )  
Increase for Natural Gas Service in the )  
Missouri Service Areas of the Company )

Case No.: GR-2014-0152

**AFFIDAVIT OF THOMAS M. IMHOFF**

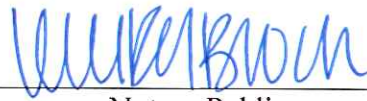
STATE OF MISSOURI    )  
                                  ) ss  
COUNTY OF COLE     )

Thomas M. Imhoff, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
Thomas M. Imhoff

Subscribed and sworn to before me this 14<sup>th</sup> day of August, 2014.

LAURA BLOCH Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 21, 2015 Commission Number: 11203914
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\_\_\_\_\_  
Notary Public

**SURREBUTTAL TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.**

**d/b/a LIBERTY UTILITIES**

**CASE NO. GR-2014-0152**

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1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **THOMAS M. IMHOFF**

4 **LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.**

5 **d/b/a LIBERTY UTILITIES**

6 **CASE NO. GR-2014-0152**

7 Q. Are you the same Thomas M. Imhoff who participated in Staff's Revenue  
8 Requirement Cost of Service and Class Cost of Service and Rate Design Reports and filed  
9 Rebuttal testimony?

10 A. Yes I am.

11 **EXECUTIVE SUMMARY**

12 Q. What is the purpose of your surrebuttal testimony?

13 A. The purpose of my surrebuttal testimony is to address the rebuttal testimonies  
14 of Maurice Brubaker, a consultant for Noranda; Barbara Meisenheimer, the Office of the  
15 Public Counsel ("OPC"); and Joe Gassner of the Missouri Department of Economic  
16 Development, Division of Energy ("DE") relating to Liberty Utilities (Midstates Natural Gas)  
17 Corp. d/b/a Liberty Utilities ("Liberty Utilities" or "Company") current rate case.

18 **SPECIAL CONTRACTS**

19 Q. Do you agree with Mr. Brubaker that the pattern of declining costs would be  
20 similar to what Noranda would have experienced from bypassing Liberty Utilities system?

21 A. No. To date, Noranda has not produced a bypass study to support Mr.  
22 Brubaker's statement. Texas Eastern Transmission Company ("TETCO"), pipeline's  
23 potential closest interconnection for Noranda is at a minimum, several miles away. Noranda

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1 does not have eminent domain powers, and would need to seek permission or purchase  
2 easements from all property owners for a right of way along the bypass route. The property  
3 owners would have to voluntarily decide to grant or sell such right to Noranda. Liberty  
4 Utilities has not performed any studies to justify the \*\* \_\_\_\_\_ \*\* it currently charges  
5 Noranda. Liberty Utilities' filing has provided no evidence regarding the variable costs plus a  
6 reasonable contribution to fixed costs, or evidence that the lower rate was needed to meet  
7 relevant competition.

8 Q. Do you agree with Mr. Brubaker that Noranda is significantly larger than any  
9 other customer?

10 A. Yes. However, it's interesting that Mr. Brubaker contends that Noranda is  
11 only responsible for \*\* \_\_\_\_\_ \*\* out of Liberty's total cost of service of approximately  
12 \$10.8 million as calculated in Staff's direct cost of service for Liberty's SEMO district.  
13 Noranda accounted for approximately \*\* \_\_\_\_\_ \*\* of the total throughput in Liberty Utilities  
14 SEMO district.

15 Q. Do you agree that Mr. Brubaker's calculations are accurate?

16 A. No. Mr. Brubaker relies on a study performed by Mr. Donald Johnstone in  
17 Atmos' rate case GR-2006-0387 that had a test year ending September 30, 2005, with an  
18 update period of June 30, 2006. This data is stale and was based on the costs of Atmos, not  
19 Liberty Utilities.

20 Q. Was Staff able to perform a class-cost-of-service ("CCOS") study in this case?

21 A. No. Staff stated in its direct case that a CCOS could not be computed due to  
22 the lack of data Liberty Utilities had. Liberty Utilities' information from Atmos when  
23 computing its revenues was not correct, and even though Staff made an attempt to annualize

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1 and normalize revenues in its rebuttal filing, to date, Staff has not received the data that  
2 Atmos has in its position that would allow a CCOS to be performed. Liberty Utilities has not  
3 performed a CCOS, so the information Mr. Brubaker relied on to support his position does  
4 not include accurate data that Liberty/Atmos needed to provide in this case. Atmos  
5 maintained the billing records and revenue data for Liberty Utilities for the first five months  
6 of the test year, October 1, 2012 through February 28, 2013. By not having a CCOS, no intra-  
7 class CCOS can be performed with any degree of reliability.

## 8 **RATE DESIGN**

9 Q. Do you agree with OPC witness Barbara Meisenheimer on her rate design  
10 proposal?

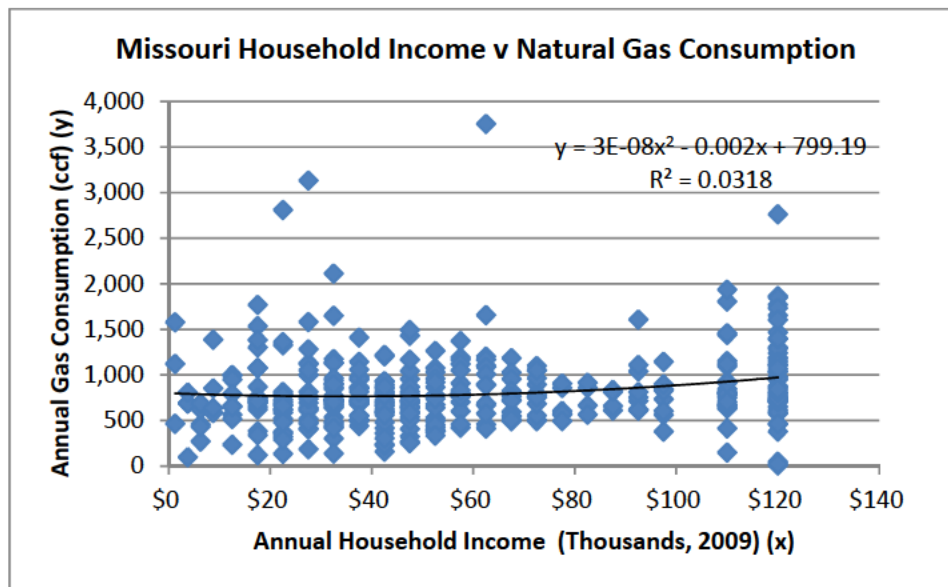
11 A. No.

12 Q. Why don't you agree with Ms. Meisenheimer's rate design proposal?

13 A. I disagree with Ms. Meisenheimer as to the computation of the customer  
14 charge and how low-use and low-income customers would be adversely affected if the  
15 customer charge remained at its current rate, or if it were to increase. She has proposed to  
16 decrease the customer charge in the NEMO and SEMO districts. The problem Staff has with  
17 this proposal relates to the lack of confidence in the billing determinants. Staff to date is  
18 awaiting updated information from Atmos on customer usages during the test year. Atmos  
19 was responsible for the billing records and revenue information for the first five months of the  
20 test year, October 1, 2012 through February 28, 2013, which would account for the bulk of  
21 customer usage during the test year. Ms. Meisenheimer would be setting rates on data that  
22 has not been updated from Atmos.

1 Q. Do you agree with Ms. Meisenheimer that low-use customers would be  
2 adversely affected or low-income customers would be adversely affected by the current  
3 customer charge?

4 A. No, natural gas customers who use at least as much gas as is consumed by a  
5 gas water heater in a month will not be adversely affected. Also, Staff performed an analysis  
6 of the Missouri data in the U.S. Energy Information Administration (“EIA”), 2009 Residential  
7 Energy Consumption cited by Ms. Meisenheimer. Staff’s analysis indicates there is no  
8 statistically significant relationship between household income and natural gas consumption  
9 for the Missouri natural gas customers in the EIA survey.



10  
11 **LOW-INCOME WEATHERIZATION**

12 Q. Does Staff agree with Mr. Gassner’s proposal to allow DE to receive funding  
13 from Liberty Utilities low-income weatherization program (“LIWP”)?

14 A. No. The DE is requesting to use up to 5 percent of the LIWP funds for an  
15 administration function. Those funds are more appropriate for the customers of Liberty  
16 Utilities who really need the assistance. The DE administers federal funds for LIWP to a

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1 statewide network of 19 local weatherization agencies, so they are already funded to  
2 administer this type of program. The additional funding from Liberty Utilities via the  
3 ratepayers for its service territories would be in addition to the federal program currently in  
4 place. Staff does not see the need for the DE to take a maximum of 5 percent from these  
5 funds, which are being provided by Liberty Utilities' customers through the rates they pay to  
6 Liberty Utilities, for a service DE is already providing from federal funds.

7 Q. Does this conclude your surrebuttal testimony?

8 A. Yes, it does.