

**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-2017-0089**
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 28, 2017, states its response to the Staff Recommendation Regarding Liberty Utilities’ 2015-2016 Actual Cost Adjustment Filing (“Staff Recommendation”)¹ filed December 1, 2017, as follows:

As noted in the Staff Recommendation, Liberty filed its Actual Cost Adjustment (“ACA”) for the 2015-2016 period in this case on October 19, 2016, 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, 2015, to August 31, 2016, 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

Included at pages 2-3 of the Staff Memorandum are proposed adjustments under the following headings: **Gas Cost Correction SEMO, Transportation Customers’ Cash Out**

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

** Confidential Information Removed **

Omissions and Errors, Billing Errors for the NEMO and Kirksville Areas, and WEMO Billed Revenue Error.

This Section I contains no Staff recommendations and Liberty accepts the proposed adjustments set forth therein.

II. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As noted at page 4 of the Staff Memorandum, “Staff has no proposed financial adjustments for the 2015-2016 ACA period related to Reliability Analysis and Gas Supply Planning.”

Continued Concern with Jackson Peak Day Estimate

At page 4 of the Staff Memorandum, Staff notes that in the 2014/2015 ACA, Staff had concerns with the peak day estimate for the Jackson area. After discussing the Company’s estimate for this ACA period, Staff states that it still has some concerns with the Company’s peak day model estimates. “Staff recommends that the Company perform a scatter plot of its data before performing its regression models to more easily identify potentially erroneous data.”

Liberty accepts this recommendation and states that it remains dedicated to performing the appropriate procedure to plot the usage data for all of its Missouri territories to more easily identify potentially erroneous data.

Kirksville Reserve Margin

At page 5 of the Staff Memorandum, Staff states:

The Company’s estimate of peak load for the Kirksville area (served by ANR Pipeline Company) is forecasted as 8,329 dth with a peak temperature of 80.5 HDD. ** ____

_____. **

Staff also recommends the Company continue to assess and document the effectiveness of its hedges for the 2016-2017 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 evaluate 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 operational 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 favorable pricing environments) approaches in its hedging practices,

. (Emphasis added).

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

Staff recommends that the Commission issue an order requiring Liberty to: 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 8/31/16” 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 8/31/16	Staff Adjustments	Staff Proposed Balances 8/31/16
<u>SEMO Area:</u>			
Demand ACA	\$ 1,156,420.88	\$ 75,209.70 (A) \$ (1,013.00) (B)	\$ 1,230,617.58
Commodity ACA	\$ (5,366,746.98)	\$ (2,512.77) (A) \$ (2,227.00) (B) \$ (10,627.63) (C)	\$ (5,382,114.38)

Kirksville Area:				
Demand ACA	\$ 873,551.39	\$ (1,952.65)	(D)	\$ 871,598.74
Commodity ACA	\$ (780,804.60)	\$ (5,576.05)	(D)	\$ (786,380.65)
WEMO Area:				
Demand ACA	\$ 108,775.42	\$ (30,084.46)	(E)	\$ 78,690.96
Commodity ACA	\$ 237,383.89	\$ 30,084.46	(E)	\$ 267,468.35
NEMO Area:				
Demand ACA	\$ 340,249.47	\$ (1,050.16)	(D)	\$ 339,199.31
Commodity ACA	\$ (133,865.33)	\$ (2,914.93)	(D)	\$ (136,780.26)

(A) Gas Cost Correction

(B) Commission Order 2/8/17 approving adjusted amounts from GR-2016-0075

(C) Transportation Customers' Cash Out Omissions and Errors

(D) Billing Errors for the NEMO and Kirksville Areas

(E) WEMO Billed Revenue Error

Liberty accepts the monetary adjustments to the ACA balances recommended by Staff and the resulting Staff Balances for 2015-2016 ACA (ending 8-31-16).

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/ Larry W. Dority
 Larry W. Dority MBN 25617
 James M. Fischer MBN 27543
 Fischer & Dority, P.C.
 101 Madison, Suite 400
 Jefferson City, MO 65101
 Telephone: (573) 636-6758
 Facsimile: (573) 636-0383
 E-mail: lardority@sprintmail.com
jfischerpc@aol.com

ATTORNEYS 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 16th day of January, 2018, to:

Casi Aslin
Legal Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
casi.aslin@psc.mo.gov
staffcounsel@psc.mo.gov

Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102
opcservice@ded.mo.gov

/s/ Larry W. Dority
Larry W. Dority