

**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.)
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Case No. GR-2018-0013

**LIBERTY UTILITIES' NOTICE REGARDING TREATMENT OF EXCESS
ACCUMULATED DEFERRED INCOME TAXES**

COMES NOW Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty Utilities" or "Company") and, pursuant to 4 CSR 240-2.080, submits its Notice Regarding Treatment of Excess Accumulated Deferred Income Taxes (ADIT). In support of its Notice, Liberty Utilities respectfully states as follows:

1. On May 24, 2018, Liberty Utilities, Staff, Public Counsel and other intervenors filed a Unanimous Stipulation And Agreement ("Stipulation")¹ which stated, *inter alia*, the following with regard to the treatment of excess ADIT in paragraph 7B:

Liberty Utilities is in the early stages of evaluating the cost and ability to use the Average Rate Assumption Method ("ARAM") as a method for computing and normalizing excess ADIT. If Liberty Utilities determines that it is unable to use the ARAM, Liberty Utilities shall notify the Parties within thirty (30) days of such determination. Liberty Utilities shall provide testimony and support in its next general rate case of its proposed methodology in dealing with the balances. (Stipulation, p. 15)

2. On August 29, 2018, Liberty Utilities personnel had an informal discussion with Staff and at that time stated that the Company did not believe it would be able to use ARAM for all assets but that the Company was still reviewing the matter. On

¹ The Commission approved the Stipulation on June 6, 2018. (See *Order Approving Stipulation and Agreement*, File No. GR-2018-0077 (filed on June 6, 2018).

December 13, 2018, Liberty Utilities determined that it cannot utilize the Average Rate Assumption Method (“ARAM”) as the method for computing and normalizing protected excess ADIT because it lacks sufficient asset records necessary to perform the calculation. Instead, Liberty Utilities has determined that the most appropriate and reasonable method to utilize for computing and normalizing protected excess ADIT is the Reverse South Georgia Method.

3. The Reverse South Georgia Amortization Method (“RSGM”) is an alternative approach permitted by the IRS if a utility is unable to identify when plant-related book and tax depreciation differences originate and reverse. RSGM cannot be used to determine the amortization of protected Excess ADIT if the utility has the records to calculate the reversal under ARAM. Under RSGM, the protected Excess ADIT is amortized ratably over the remaining estimated book life of plant assets if the utility is unable to identify the book-tax depreciation reversal pattern of utility plant components. Utilization of RSGM, where permitted, will not create a normalization violation.

WHEREFORE, Liberty Utilities respectfully submits its Notice in compliance with Paragraph 7B of the Stipulation filed on May 8, 2018, and requests that the Commission accept the filing of this Notice.

Respectfully submitted,

/s/ James M. Fischer

James M. Fischer, MBN 27543
FISCHER & DORITY, P.C.
101 Madison Street, Suite 400
Jefferson City, MO 65101
573-636-6758

573-636-0383 (fax)
jfischerpc@aol.com

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 4th day of January, 2019

/s/ James M. Fischer

James M. Fischer