

2019-2020 PGA-ACA GR-2021-0101****Confidential 20 CSR 4240-2.135(2)a4******LIBERTY'S RESPONSE TO STAFF TECHNICAL REPORT AND ANALYSIS****I. BILLED REVENUE AND ACTUAL GAS COSTS**

As indicated on page three of Staff's memorandum, Staff recommended no adjustment to Liberty's ending ACA balance. Staff did recommend Liberty continue plans to monitor ACA balances and make Optional PGA filings, as needed.

On pages 4 and 5 of the memorandum, Staff proposed billed revenue adjustments for NEMO, SEMO, and Kirksville, as summarized below.

Revenue Adjustments by Service Area			
	<u>Reported</u>	<u>Corrected</u>	<u>(Under)/ Overstated</u>
SEMO			
Demand	(\$3,297,612)	(\$3,297,612)	\$0
Commodity	(\$6,807,385)	(\$6,807,466)	(\$81)
Kirksville			
Demand	(\$755,252)	(\$747,174)	\$8,078
Commodity	(\$1,592,083)	(\$1,600,202)	(\$8,119)
NEMO			
Demand	(\$1,383,336)	(\$1,396,481)	(\$13,145)
Commodity	(\$3,831,121)	(\$3,817,976)	\$13,145

Staff found that an invoice for natural gas purchases was inaccurately recorded for SEMO by the amount of \$32. Staff also discovered six invoices that were incorrectly classified between WEMO and NEMO. These revenue and cost corrections required additional adjustments to the carrying cost calculations by rate district.

Liberty Utilities accepts Staff's analysis and recommendations regarding Billed Revenue and Actual Gas Costs.

II. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As noted at page 6 of 10 of the Staff Memorandum, “Staff has no proposed financial adjustments for the 2019-2020 ACA period related to reliability analysis and gas supply planning.”

Reserve Margins

Page 7 of the Staff Memorandum notes that ** [REDACTED]

[REDACTED]

[REDACTED] ** Staff recommended “that Liberty continue to monitor and address transportation needs for its various service areas.” The Company agrees with this recommendation.

Transportation Customers and School Aggregation

On page 5 of 7 of the Staff Memorandum, Staff recommends that “Liberty review its school aggregation provisions to assure that they properly incentivize school aggregation pool operators to balance use and deliveries.” Liberty Utilities is in agreement that adjustments are needed to promote balanced school pools.

III. HEDGING

On page 8, Staff noted that Liberty “has improved its hedge planning practices with its consideration of additional financial instruments in addition to swaps.” Staff recommends that “the Company continually monitor and be aware of any significant changes in natural gas supply and demand fundamentals over time.” Staff further recommends “the Company continue to assess and document the effectiveness of its hedges for the 2020-2021 ACA and beyond”, including determining the consistency of hedging implementation with the Company’s plan, as well as, analyzing outcomes and potential improvements for the future hedging plan and implementation.

Staff also recommends “the Company evaluate whether the hedging plan for each of the

four systems has operational implications for warm and cold weather conditions,” and continue to monitor the market movements diligently, employ disciplined and discretionary approaches in its hedging practices, and “look into the possibility of expanding its gas portfolio to include physical as well as financial hedges, in addition to storage, that more closely track physical price risk.”

Liberty Utilities accepts these recommendations. The Company regularly meets with Staff to review its hedging plans and provides information to allow Staff to assess the effectiveness of the Company’s plans, and Liberty Utilities will continue to do so.

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

Liberty accepts the ACA balances recommended by Staff. The Company agrees to incorporate the (over)/under-recovered ending ACA balances proposed by Staff below, as of August 31, 2020.

All Areas:	Company Filed Balance 8/31/20	Staff Adjustments	Staff Proposed Balances 8/31/20
SEMO Area			
Demand ACA	\$ 1,899,814	\$ 0	\$ 1,899,814
Commodity ACA	\$ (5,322,799)	\$ (113)	\$ (5,322,912)
Kirksville Area			
Demand ACA	\$ 511,325	\$ 8,130	\$ 519,456
Commodity ACA	\$ (1,741,283)	\$ (8,171)	\$ (1,749,454)
WEMO Area			
Demand ACA	\$ (522)	\$ 7,733	\$ 7,211
Commodity ACA	\$ 100,704	\$ 53,481	\$ 154,184
NEMO Area			
Demand ACA	\$ (35,082)	\$ (20,912)	\$ (55,993)
Commodity ACA	\$ (2,169,783)	\$ (40,302)	\$ (2,210,084)