LIBERTY'S RESPONSE TO STAFF TECHNICAL REPORT AND ANALYSIS

I. BILLED REVENUE AND ACTUAL GAS COSTS

As indicated on page two of Staff's memorandum, Staff proposed no prudence disallowances related to this section of Staff's recommendation for this ACA period. However, Staff did note that substantial over-recoveries during the 2018-2019 ACA period and stated in its Recommendation that "Liberty could have mitigated these large and significant over-recoveries if it made an optional PGA adjustment filing before the over-recoveries grew to such significant levels." Staff also recommends in the Staff Memorandum "that in future ACA filings, the Company describe the causes of its over and under collections."

Liberty Utilities agrees with and accepts Staff's analysis regarding Billed Revenue and Actual Gas Costs. The Company also agrees to describe in future ACA filings the cause(s) of its over and under collections. Finally, the Company will monitor the level of the under and over recoveries and may make an optional filing to address significant levels of over or under recovery.

II. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As noted at page 3 of 7 of the Staff Memorandum, "Staff has no proposed financial adjustments for the 2018-2019 ACA period related to reliability analysis and gas supply Planning."

Reserve Margins

Page 3 of the Staff Memorandum states ** [redacted]

[redacted] **

Liberty Utilities remains dedicated to maintaining appropriate reserve margins in all of its service areas. The Company provides updates on its design days, the methods and calculations supporting them, and the associated reserve margins in each ACA docket and annually files its design studies with the Commission. Liberty Utilities will continue communicating with Staff and taking recommended actions to ensure positive reserve margins are maintained.

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. For instance, Liberty balances non-school transportation customers on a daily basis, though it is not presently equipped for daily balancing of school pools. Non-school transportation customers have greater multipliers applied to prices charged for larger imbalances. These provisions create stronger disincentives for imbalances of non-school transportation customers than those faced by school aggregation pools."

Liberty Utilities is in agreement that adjustments are needed to promote balanced school pools. The Company met with school representatives and Commission Staff in 2019 to discuss the tariff provisions related to school aggregation and transportation customers, with a goal to address concerns raised by the schools and to align the related tariff provisions of the Empire District Gas Company and Liberty Utilities serving areas in Missouri. It was the Company's understanding that both the schools and Staff were in general agreement with the solutions proposed at that time, but the final determination by Staff was that the proposals could not be implemented outside of a rate case.

III. HEDGING

Staff proposed no financial adjustments related to hedging. On page six of Staff's memorandum, Staff states that Liberty Utilities "has improved in its hedge planning practices with its consideration of additional financial instruments in addition to swaps." Staff proceeds to recommend 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 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, ** [redacted] **

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. RESPONSE TO ACA ACCOUNT BALANCES RECOMMENDED BY STAFF

At page 7 of 7 of the Staff Memorandum, Staff recommends that the Commission issue an order requiring Liberty to:

> Incorporate the (over)/under-recovered ending ACA balances in Staff's Proposed Balances 8/31/19 column of the following table:

All Areas:	**Company Filed Balance 8/31/19**	**Staff Adjustments**	**Staff Proposed Balances 8/31/19**

SEMO Area			
Demand ACA	$ 291,688	$ 0	$ 291,688
Commodity ACA	$ (3,103,075)	$ 0	$ (3,103,075)
Kirksville Area			
Demand ACA	$ (139,084)	$ 0	$ (139,084)
Commodity ACA	$ (1,249,026)	$ 0	$ (1,249,026)
WEMO Area			
Demand ACA	$ (3,003)	$ 0	$ (3,003)
Commodity ACA	$ 220,453	$ 0	$ 220,453
NEMO Area			
Demand ACA	$ (570,936)	$ 0	$ (570,936)
Commodity ACA	$ (679,996)	$ 0	$ (679,996)

Liberty accepts the ACA balances recommended by Staff.