

**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-2016-0075**
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 Response* issued in this matter on December 8, 2016, states its response to the Staff Recommendation Regarding Liberty Utilities’ 2014-2015 Actual Cost Adjustment Filing (“Staff Recommendation”)¹ filed December 8, 2016, as follows:

As noted in the Staff Recommendation, Liberty filed its Actual Cost Adjustment (“ACA”) for the 2014-2015 period in this case on October 15, 2015, 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 consisted of a review and analysis of the billed revenues and natural gas costs for the period of September 1, 2014, to August 31, 2015, for all areas served by the Company in Missouri.

**LIBERTY’S RESPONSE TO ACA ACCOUNT BALANCES
RECOMMENDED BY STAFF**

Based on its review, Staff recommended the following adjustments to the Company’s filed (over)/under-recovered ACA balances:

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

** Denotes Highly Confidential Information **

ALL AREAS (+) Under-recovery (-) Over-recovery	Filed Balances for 2014-2015 ACA (Ending 8-31-15)	Commission Approved Adjustments prior to 2013-2014 ACA (A)	Commission Approved Adjustments 2013-2014 ACA (B)	Staff Adjustments for 2014-2015 ACA	Staff Balances for 2014-2015 ACA (Ending 8-31-15)
SEMO Area: Demand ACA	\$2,028,647(C)	\$1,494	\$0	(\$1,320,998)(D) (\$16,607) (E) (\$1,013) (F)	\$691,523
Commodity ACA	\$490,101(C)	\$159,168	(\$1,830) (\$994)	(\$4,586,290) (D) (\$57,659) (E) (\$2,227)(F)	(\$3,999,731)
Kirksville Area: Demand ACA	\$459,002	\$16,867	\$0	\$0	\$475,869
Commodity ACA	(\$657,723)	\$23,618	(\$4,082)	\$0	(\$638,187)
WEMO Area: Demand ACA	\$7,138	\$0	\$7,248 \$91	\$0	\$14,477
Commodity ACA	(\$28,123)	\$22,618	\$43,643 \$549 (\$3,597)	\$0	\$35,090
NEMO Area: Demand ACA	(\$181,998)	\$0	\$0	\$0	(\$181,998)
Commodity ACA	\$219,902	\$67,945	(\$221)	\$0	\$287,626

A) Commission order issued March 7, 2015 approving adjusted amounts from 2012-2013 ACA.

B) Commission order issued February 20, 2016 approving adjusted amounts from 2013-2014 ACA.

C) A transcription error resulted in the Company having filed an incorrect ACA balance (demand and commodity). A variance was filed by Liberty to correct the ACA balances.

D) ACA balance adjusted per Staff as a result of the transcription error in footnote C.

E) Interest on ACA balance adjustment as a result of the transcription error in footnote C.

F) Misstatements and omissions of gas supply costs on the SEMO system.

Liberty accepts the monetary adjustments to the ACA balances recommended by Staff and the resulting Staff Balances for 2014-2015 ACA (ending 8-31-15), with the recognition that Liberty already has taken proactive steps on February 24, 2016 to address the ACA balances in its SEMO district by filing an application seeking a variance from a provision of its PGA tariff and a tariff sheet to correct the transcription error, as discussed in the Staff Recommendation. The Commission issued its order granting the requested application for variance and approving the revised tariff sheet on an interim basis subject to refund, effective March 10, 2016.

LIBERTY'S RESPONSE TO STAFF TECHNICAL REPORT AND ANALYSIS

I. BILLED REVENUE AND ACTUAL GAS COSTS

Monthly Cash-Out Provisions

At page 3 of the Staff Memorandum, the “Staff recommends that the Company review its method for sourcing and calculating the cashout rate for its school transportation customers.”

Liberty accepts this recommendation.

Compliance Adjustments – Gas Cost Calculations; SEMO ACA Balance Corrections; Interest on ACA Balance – SEMO

Pages 3-4 of the Staff Memorandum address misstatements and an omission in the calculation of the Company’s gas costs for its SEMO District (a total reduction of \$3,240) – compliance adjustments which Company has addressed in its most recent ACA filing; page 4 discusses in detail the SEMO ACA Account Balances issue relating to the transcription error which Company has addressed in its February 2016 filings noted above; and pages 4-5 discuss the resulting errors in the Company’s calculated interest due to said SEMO ACA balance issues.

Texas Eastern (“TETCO”) Entitlements

At page 5 of the Staff Memorandum, Staff reports that the “Company and Staff have had discussions concerning the Company’s allocated entitlements from the Texas Eastern Transmission pipeline,” concluding with the request “that the Company takes the necessary action in the next 60 days to locate the original contractual basis for this arrangement and any additional documentation which might explain the original purpose for the pipeline’s allocation of its base and operational entitlements.”

As discussed with Staff, said entitlements have been the same since 1992 (FERC Order 636) and, accordingly, when Liberty “stepped into the shoes of Atmos” pursuant to the Stipulation and Agreement and the Commission’s Order approving same in Case No. GM-2012-0037 in 2012, it assumed the existing entitlement allocation and has operated consistently since that time. That said, Liberty will continue to take action in the next 60 days to try to satisfy Staff’s request.

Bill Payment

This subject is addressed at page 5 of the Staff Memorandum and contains the following recommendation: “Staff recommends that the Company assess the internal controls related to its payment procedures to ensure that its bills are paid on time and without penalty in the future.”

Liberty accepts this recommendation and will assess its internal controls.

II. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As noted at page 6 of the Staff Memorandum, “Staff has no proposed financial adjustments for the 2014-2015 ACA period related to Reliability Analysis and Gas Supply Planning.”

A. Peak Day Planning

1. Peak Day Planning Documents required in GM-2012-0037

At page 6 of the Staff Memorandum, Staff discusses the timely provision of data and documents for peak day planning in accordance with the above-described Unanimous Stipulation and Agreement approved in Case No. GM-2012-0037. “Staff recommends Liberty develop a procedure to ensure it is complying with this requirement.”

Liberty accepts this recommendation and will coordinate with Staff to avoid the duplicative provisioning of such information. Liberty further states it is currently refining its data base to facilitate the access of documentation and notification/reporting requirement compliance.

2. Concerns with Jackson Peak Day Estimate

At page 7 of its Staff Memorandum, Staff recommends the following:

As in the prior 2013/2014 ACA, Staff recommends Liberty plot the usage data versus HDD and review for potential data problems such as inclusion of incorrect HDD data or for anomalies that may be due to meter recording problems or other identifiable events causing usage for certain dates to be skewed. Anomalous data should be a consideration in how to analyze the actual data (e.g., what data to include for design day/peak day planning). Any data that shows usage is greater than the Company’s peak day estimate, especially on a day much warmer than the HDD used for its peak day planning, should cause Liberty to investigate the data or conduct further review of the peak day estimate.

Liberty accepts this recommendation and states it is currently developing a procedure to plot the usage data versus HDD and review for potential data problems such as inclusion of incorrect HDD data or for anomalies that may be due to meter recording problems or other identifiable events causing usage for certain dates to be skewed. The revised Jackson data referenced by Staff was provided with the response to DR109.3 as part of the attachment GR-

B. Supply Planning

1. Gas Supply RFP Process

At page 8 of its Staff Memorandum, Staff states:

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In response, Liberty states as follows:

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2. Supply Agreement, Including AMAs, Must Document All Agreed to Pricing and Volume Provisions

a. Southeast – Jackson Supply.

Staff makes the following recommendation at page 9 of its Staff Memorandum:

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Liberty accepts this recommendation.

b. West – Rich Hill/Hume (Stateline) Supply.

At page 11, Staff recommends the following:

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Liberty accepts this recommendation.

3. AMA Documentation of Storage Provisions – Rich Hill/Hume, Jackson, and SEMO Service Areas.

On page 12 of the Staff Memorandum, Staff states:

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Liberty accepts this recommendation.

4. Each AMA Must Contain Provisions Relevant to That AMA.

On page 13 of the Staff Memorandum, Staff recommends:

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Liberty responds as follows:

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III. HEDGING

On page 14 of the Staff Memorandum, Staff recommends:

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_____. ** **Staff recommends** the Company be aware of any fundamental shifts in the market dynamics while being cautious on the market views.

Staff also recommends the Company continue to assess and document the effectiveness of its hedges for the 2014-2015 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 evaluating 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 favorable pricing environments) approaches in its hedging practices, ** _____

_____.**

Liberty accepts these recommendations.

IV. 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,

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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 23rd day of January, 2017, to:

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/s/ Larry W. Dority
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