

**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) Case No. GR-2014-0152
For Natural Gas Service in the Missouri)
Service Areas of the Company.)

**NON-UNANIMOUS SECOND PARTIAL STIPULATION
AND AGREEMENT AS TO CERTAIN ISSUES**

COME NOW Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty Utilities” or “Company”), the Office of the Public Counsel (“OPC”) and the Missouri Division of Energy (“DE”) (collectively “Signatories”) and state the following for this Second Partial Stipulation and Agreement (“Stipulation”) to resolve certain issues in this case noted in the Issues List as issue nos. 4, 5, 6, and 7.

1. The Signatories agree to settle the following issues which were previously designated as part of the Remaining Issues To Be Resolved in the *Partial Stipulation And Agreement* filed by the Company, Staff, and OPC on August 12, 2014:

- Infrastructure System Replacement Surcharge (“ISRS”)
- Cost of Removal
- Rate Design and Related Issues
- Energy Efficiency and Weatherization Program

2. ISRS:

a. OPC has appealed the Commission’s Report and Order (“Order”) issued in Case No. GO-2014-0006, *In the Matter Of The Verified Application and Petition Of Liberty Energy*

(Midstates) Corp d/b/a Liberty Utilities To Change Its Infrastructure System Replacement Surcharge, and the Missouri Court of Appeals – Western District issued its Opinion on July 29, 2014 in Case No. WD77089, affirming the Commission’s Order. OPC is filing Post-Disposition Motions. The Signatories agree that the Company shall record a regulatory liability account in the amount of \$111,149 (estimate to be trued-up later if OPC prevails on the issue) to be used as a regulatory mechanism to preserve funds that could be used to credit the Company’s ratepayers in the event that a court of competent jurisdiction reverses and remands the Commission’s decision in the above-referenced case. In the event that no court of competent jurisdiction reverses and remands the Commission’s decision and said decision becomes final, then the amounts booked in the regulatory liability account shall be reversed and no amounts will be credited to the Company’s ratepayers. If upon remand the refund determined by the Commission is less than the regulatory liability, then the difference shall be reversed.

b. The Company further agrees that it will exclude from all future ISRS filings costs associated with damage to infrastructure caused by Company or third parties.

c. The Company shall capitalize the cost of additions and substantial betterments of units of property and plant, including the cost of labor, material, applicable taxes, overheads and allowance for funds used during construction (AFUDC) pursuant to the instructions in the Commission authorized FERC 18 CFR Part 201 –Uniform System of Accounts. If a project will result in the addition or substantial betterment of a unit of property that meets the capitalization criteria, the project will be accounted for as a capital project. FERC 18 CFR Part 201 Uniform System of Accounts – Gas Plant Instructions (10)(C)(3) provides:

(3) When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, or of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate gas plant account.

d. Starting with the effective date of new rates in this case, the Company shall change its methodology for capitalizing leak repairs and update its capitalization policy. The Company shall only capitalize leak repair work when the work meets the following criteria:

- (1) If the leak is found on a transmission or distribution main, the section of main must have more than five feet replaced to be capitalized;
- (2) If the leak is found on a service line, more than one-half of the linear feet of the service line must be replaced to be capitalized;
- (3) The total installed cost to replace each main or service line must cost more than \$1,000 to qualify for capitalization; and
- (4) If the only work being completed is placing a leak clamp on a main or service line, the total cost associated with the repair shall be expensed.

e. Company agrees to maintain its books and records so that the supporting documents for the costs identified above will be maintained and available for future audits in ISRS cases.

3. **Cost of Removal.** Company commits that it will prepare and present in its next general rate increase case a full and complete detailed depreciation study which analyzes all aspects of the Company's plant in service (life, vintage, retirements, etc.), depreciation, depreciation rates, accumulated depreciation, cost of removal, salvage, etc. In addition, before the filing of its next general rate increase case, Company will engage in a detailed analysis of its plant in service records the purpose of which is to identify and correct, for each individual plant account, any inaccurate discrepancies between the booked costs in its continuing property records and the actual amounts that should be booked in the continuing property records.

4. **Rate Design and Related Issues.**

a. Any change in rates resulting from this case should apply on an equal percentage basis across all customer classes.

b. The residential customer charges for the three districts will be as follows:

NEMO:	\$20.00
SEMO:	\$13.75
WEMO:	\$20.00

c. Company will eliminate the foregone delivery charge.

d. Billing units used to adjust the residential customer charges and volumetric rates to be based on Staff's rebuttal testimony.

5. **Energy Efficiency and Weatherization Program.** Company agrees to continue with its Energy Conservation and Efficiency Programs and continue to receive, on an annual basis, \$150,000 included in base rates with \$105,000 (of the \$150,000) for the Residential Low Income Weatherization Assistance Program. Company will continue to use regulatory asset account mechanism for program costs incurred above this existing annual funding level.

GENERAL PROVISIONS OF STIPULATION

6. Contingent upon Commission approval of this Stipulation without modification, the Signatories hereby stipulate to the admission into the evidentiary record of the pre-filed testimony and schedules of their witnesses on the issues that are resolved by this Stipulation without the necessity of those witnesses taking the stand unless called by the Commission to answer questions.

7. This Stipulation is being entered into solely for the purpose of settling the issues in this case explicitly set forth above. Unless otherwise explicitly provided herein, none of the

Signatories to this Stipulation shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any cost of service methodology or determination, method of cost determination or cost allocation or revenue-related methodology. Except as explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Stipulation in this or any other proceeding, other than a proceeding to enforce the terms of this Stipulation, regardless of whether this Stipulation is approved.

8. This Stipulation is a negotiated settlement. Except as specified herein, other than in a proceeding to enforce the terms of this Stipulation, the Signatories to this Stipulation shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Stipulation, or in any way condition its approval of same.

9. This Stipulation has resulted from extensive negotiations among the Signatories, and the terms hereof are interdependent. If the Commission does not approve this Stipulation unconditionally and without modification, then this Stipulation shall be void and no Signatory shall be bound by any of the agreements or provisions hereof.

10. This Stipulation embodies the entirety of the agreements between the Signatories in this case on the issues addressed herein, and may be modified by the Signatories only by a written amendment executed by all of the Signatories.

11. If approved and adopted by the Commission, this Stipulation shall constitute a binding agreement among the Signatories. The Signatories shall cooperate in defending the validity and enforceability of this Stipulation and the operation of this Stipulation according to its terms.

12. If the Commission does not approve this Stipulation without condition or modification, and notwithstanding the provision herein that it shall become void, (1) neither this Stipulation nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Signatory has for a decision in accordance with RSMo. §536.080 or Article V, Section 18 of the Missouri Constitution, and (2) the Signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

13. If the Commission accepts the specific terms of this Stipulation without condition or modification, the Signatories each waive their respective rights to call, examine and cross-examine witnesses pursuant to §536.070(2) RSMo., present oral argument and written briefs pursuant to RSMo. §536.080.1, their respective rights to the reading of the transcript by the Commission pursuant to RSMo. §536.080.2, their respective rights to seek rehearing pursuant to RSMo. §386.500, and their respective rights to judicial review pursuant to RSMo. §386.510. These waivers apply only to a Commission order approving this Stipulation without condition or modification issued in this proceeding and only to the issues that are resolved hereby. These waivers do not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly resolved by this Stipulation.

REPRESENTATION REGARDING NON-SIGNATORY PARTIES

14. Counsel for Noranda Aluminum, Inc. (“Noranda”) has authorized the Signatories to represent in this Stipulation that Noranda does not oppose this Stipulation and does not request a hearing thereon.

WHEREFORE, for the foregoing reasons, the Signatories respectfully request that the Commission issue an Order approving the terms and conditions of this second partial stipulation and agreement.

Respectfully submitted,

/s/ James M. Fischer

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ATTORNEY FOR MISSOURI DED
DIVISION OF ENERGY

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 5th day of September, 2014.

/s/ James M. Fischer

James M. Fischer