

Exhibit No.:  
Issue: Rate Design, ISRS, Special  
Contracts,  
Witness: Christopher D. Krygier  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Liberty Utilities (Midstates  
Natural Gas) Corp.  
d/b/a Liberty Utilities  
Case No.: GR-2014-0152  
Date Testimony Prepared: August 15, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: GR-2014-0152**

**SURREBUTTAL TESTIMONY**

**OF**

**CHRISTOPHER D. KRYGIER**

**ON BEHALF OF**

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.  
D/B/A LIBERTY UTILITIES**

**August 15, 2014**

**\*\* Denotes Highly Confidential Information \*\***

**NP**

**SURREBUTTAL TESTIMONY  
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**CASE NO. GR-2014-0152**

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1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **CHRISTOPHER D. KRYGIER**

4 **CASE NO. GR-2014-0152**

5  
6  
7  
8 **I. POSITION AND QUALIFICATIONS**

9 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND BUSINESS**  
10 **AFFILIATION.**

11 A. My name is Christopher D. Krygier, my business address is 2751 North High Street,  
12 Jackson, Missouri 63755. I am testifying on behalf of the applicant, Liberty Utilities  
13 (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty Utilities” or “Company”).

14 **Q. ARE YOU THE SAME CHRISTOPHER D. KRYGIER WHO SUBMITTED**  
15 **DIRECT TESTIMONY AND REBUTTAL TESTIMONY ON BEHALF OF**  
16 **LIBERTY UTILITIES IN THIS CASE ON FEBRUARY 6, 2014 AND JULY 30,**  
17 **2014 RESPECTIVELY?**

18 A. Yes.

19  
20 **II. PURPOSE OF TESTIMONY**

21 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS**  
22 **CASE?**

23 A. The purpose of my testimony is to address the rebuttal testimony of Office of the Public  
24 Counsel (“OPC”) witness Ms. Barbara Meisenheimer regarding rate design, the rebuttal

1 testimony of OPC witness Mr. William Addo regarding ISRS and, finally, the rebuttal  
2 testimony of Staff witness Ms. Kim Cox regarding special contracts.

3  
4 **III. RATE DESIGN - EQUAL PERCENTAGE INCREASE**

5 **Q. WHAT RATE DESIGN DID THE COMPANY PROPOSE IN THIS CASE?**

6 A. The Stipulation and Agreement in the acquisition case (GM-2012-0037) specified that if  
7 the Company proposed any rate design other than an equal percentage basis, such  
8 proposal must be backed by a class cost of service study. The Company did not prepare  
9 such study for this case, and therefore proposed an equal percentage increase across  
10 districts and rate elements consistent with that agreement.

11 **Q. MS. MEISENHEIMER ASSERTS THAT LIBERTY UTILITIES' EQUAL  
12 PERCENTAGE CALCULATION "IS NOT CONSISTENT WITH ITS  
13 COMMITMENT IS CASE NO. GM-2012-0037". DO YOU AGREE?**

14 A. No. Ms. Meisenheimer cites two reasons for this contention. I will discuss these in turn.

15 **Q. WHAT IS THE FIRST REASON CITED BY MS. MEISENHEIMER?**

16 A. The Company's calculation added the current ISRS rates to current base rates, then  
17 spread the net increase on an equal percentage basis to all rate districts and elements. Ms.  
18 Meisenheimer's calculation would exclude the ISRS from this calculation, thus spreading  
19 the increase in base rates on an equal percentage basis. The Stipulation and Agreement in  
20 Case No. GM-2012-0037 does not specify how ISRS should be handled in an equal  
21 percentage calculation and is open to interpretation. Therefore, our calculation is in  
22 compliance. Nevertheless, we have agreed to adopt Ms. Meisenheimer's interpretation  
23 for purposes of settling this issue.

1 **Q. WHAT IS THE SECOND REASON CITED BY MS. MEISENHEIMER?**

2 A. Ms. Meisenheimer contends that special contract customer Noranda should be allocated  
3 an equal percentage portion of any increase resulting from this case.

4 **Q. DO YOU AGREE?**

5 A. No. Changes in special contract rates are determined by arms-length negotiations  
6 between the utility and special contract customer. The very nature of the relationship  
7 precludes changing contracted rates in the context of a rate case, since the rates are  
8 governed by the contract rather than by tariffed rates subject to adjustment in the case.  
9 Under these circumstances, it is not reasonable to assume that Noranda's special  
10 contract rate should be subject to the equal percentage increase referred to in the  
11 Stipulation and Agreement from Case No. GM-2012-0037.

12

13 **IV. RATE DESIGN – CUSTOMER CHARGE**

14 **Q. PLEASE DESCRIBE THE ISSUE REGARDING CUSTOMER CHARGES.**

15 A. Ms. Meisenheimer has proposed a decrease in the residential customer charges in the  
16 NEMO and WEMO divisions to \$15.00 from the current levels of \$22.68 and \$20.17,  
17 respectively. Liberty Utilities supports maintaining the current rate structure, such that  
18 any increase resulting from this case be applied on an equal percentage basis.

19 **Q. WHY ARE YOU ADDRESSING THIS ISSUE IN SURREBUTTAL?**

1 A. The Office of the Public Counsel did not file any direct testimony regarding this issue,  
2 but instead raised it in rebuttal. Parties filing direct testimony in this case supported  
3 equal percentage increases.

4 **Q. HAS ANY PARTY FILED A CLASS COST OF SERVICE STUDY IN THIS**  
5 **CASE?**

6 A. No.

7 **Q. MS. MEISENHEIMER CITES HER CLASS COST OF SERVICE STUDY FROM**  
8 **THE 2010 ATMOS CASE IN SUPPORT OF HER PROPOSAL. PLEASE**  
9 **COMMENT.**

10 A. Other parties in the 2010 case reached significantly different conclusions based on the  
11 evidence in that case. No new evidence has been introduced in this case that would  
12 support a change from the current rate structure.

13 **Q. MS. MEISENHEIMER CITED FOUR CUSTOMERS WHO INDICATED A**  
14 **DESIRE FOR A LOWER CUSTOMER CHARGE. DO YOU FIND THIS**  
15 **EVIDENCE TO BE PERSUASIVE?**

16 A. Not at all. I attended all of the public hearings in this case. They were generally lightly  
17 attended, and comments for the most part were positive regarding customer service. I  
18 certainly did not detect any groundswell of support for lowering the customer charge in  
19 favor of higher volumetric rates.

20 **Q. MS. MEISENHEIMER CONTENDS THAT INCREASING VOLUMETRIC**  
21 **CHARGES ALLOWS CUSTOMERS TO EXERCISE GREATER CONTROL**

1           **OVER THEIR BILLS AND PROVIDE AN INCENTIVE TO CONSERVE.**  
2           **PLEASE COMMENT.**

3    A.     When discussing rate design for distribution only rate cases such as this, it is important to  
4           remember that we are only talking about the one-third of the customer's total bill  
5           covering the Company's distribution costs. The remaining two-thirds of the bill is  
6           devoted to covering gas costs and is strictly volumetric, and therefore affords the  
7           customer significant incentive to conserve and significant control over their bill.

8    **Q.     MS. MEISENHEIMER CONTENDS THAT THE CUSTOMER CHARGE**  
9           **INCENTS LOW INCOME CUSTOMERS TO DISCONNECT FROM THE**  
10          **SYSTEM, AND THEREFORE CAUSES PUBLIC HEALTH AND PUBLIC**  
11          **SAFETY ISSUES. PLEASE COMMENT.**

12   A.     The higher volumetric charges advocated by Ms. Meisenheimer have the effect of  
13          increasing bills during the winter months, and especially during periods of colder than  
14          normal weather. This puts pressure on low income customers to pay their bills when gas  
15          service is needed the most. If rate design can be said to have an impact on public health  
16          and safety, it is the volatility and variability caused by high volumetric charges that is to  
17          be avoided.

18   **Q.     DO YOU HAVE ANY ADDITIONAL COMMENTS?**

19   A.     Yes. Ms. Meisenheimer cites various statistics comparing customer income to gas usage.  
20          Her proposal to reduce the customer charge appears to be motivated by a laudable  
21          concern for low income customers and their ability to maintain gas service. Liberty  
22          Utilities shares that concern and actively supports the various programs such as LIHEAP  
23          established to help these customers. The Company believes that programs targeted

1 directly to the needs of these customers are a more efficient and desirable means of  
2 helping these customers.

3  
4 **V. RATE DESIGN – FOREGONE DELIVERY CHARGE**

5 **Q. WHAT IS A FOREGONE DELIVERY CHARGE?**

6 A. The foregone delivery charge is charged to customers who leave and then reenter the  
7 system within seven or fewer months.

8 **Q. WHAT IS THE PURPOSE OF THE CHARGE?**

9 A. There are various fixed charges associated with the provision of gas service that are  
10 incurred regardless of customer usage. A portion of these costs are recovered through the  
11 customer charge. The fixed costs associated with serving a customer exist whether that  
12 customer remains on the system all year or leaves and re-enters a few months later. The  
13 foregone delivery charge is a means of ensuring that customers who leave and re-enter  
14 the system on a short term basis pay a fair share of the cost of serving them.

15 **Q. WHAT HAS MS. MEISENHEIMER PROPOSED?**

16 A. She has proposed elimination of the foregone delivery charge, saying "...it seeks to  
17 circumvent a customer's choice of whether or not to take service."

18 **Q. DO YOU AGREE?**

19 A. No. The foregone delivery charge doesn't circumvent any customer from a choice of  
20 whether to take gas service. It simply assures that customers who connect to the system  
21 pay a fair share of the fixed costs associated with being connected to the system.  
22 Eliminating the charge would be fundamentally unfair since it would force other



1 customers to shoulder the fixed costs associated with customers who leave and re-enter  
2 the system on a short term basis in order to avoid paying the customer charge.

3 **Q. MS. MEISENHEIMER CITES THE IMPACT OF THE CHARGE ON**  
4 **CUSTOMERS WITH MARGINAL INCOME. PLEASE COMMENT.**

5 A. I would refer to my earlier comments regarding similar arguments in relation to the  
6 customer charge. These customers are more effectively assisted by the various targeted  
7 programs such as LIHEAP.

8  
9 **VI. INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE (“ISRS”)**

10 **MECHANISM**

11 **Q. WHAT ARGUMENTS DOES MR. ADDO MAKE IN HIS REBUTTAL**  
12 **TESTIMONY REGARDING THE ISRS?**

13 A. Mr. Addo claims that the Company and its predecessor company, Atmos Energy  
14 Corporation, capitalized some costs that should have been classified as expense.

15 **Q. DOES THE COMPANY AGREE?**

16 A. No. The Company has been following a consistent capitalization policy that booked  
17 these costs as capital versus expense. Next, Mr. Addo does not cite any references to  
18 Generally Accepted Accounting Principles (“GAAP”) that support his claims. Finally, if  
19 Mr. Addo does propose that certain capitalized costs be recovered as expenses in the  
20 future, the Company will need to increase its cost of service to reflect higher operations  
21 and maintenance cost on a go forward basis.

1 **VII. SPECIAL CONTRACTS – NORANDA AND GENERAL MILLS**

2 **Q. WHAT ARGUMENTS DOES STAFF WITNESS MS. COX PRESENT IN HER**  
3 **REBUTTAL TESTIMONY ON THE ISSUE OF SPECIAL CONTRACTS?**

4 A. Ms. Cox claims that the Noranda contract filed with my Direct Testimony \*\* \_\_\_\_\_  
5 \_\_\_\_\_\*\*, that the Company did not provide any support for its contracted rate and  
6 that\*\* \_\_\_\_\_  
7 \_\_\_\_\_\*\*.

8 **Q. HOW DOES THE COMPANY RESPOND TO STAFF’S FIRST ARGUMENT**  
9 **THAT \*\* \_\_\_\_\_**  
10 **\_\_\_\_\_\*\*?**

11 A. While the contract’s original term may have expired, Staff misses one critical portion of  
12 the prior stipulation in Case No. GR-2010-0192, in particular: “The signatories agree that  
13 Atmos shall offer to extend the special contracts of Noranda and General Mills to expire  
14 on the effective date of rates approved in Atmos’s next rate case [the instant case]. The  
15 rates for such extended period shall be those in effect at the end of the respective  
16 contract’s original term.”<sup>1</sup>

17 **Q. DOES THE NEW CONTRACT REFLECT A SIMILAR UNDERSTANDING?**

18 A. Yes, please see Schedule CDK-R6 HC attached to my rebuttal testimony, in particular  
19 \*\* \_\_\_\_\_  
20 \_\_\_\_\_\*\*.

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<sup>1</sup> Case No. GR-2010-0192, Unanimous Stipulation and Agreement, Page 3.

1 **Q. HOW DOES THE COMPANY RESPOND TO STAFF'S SECOND ARGUMENT**  
2 **THAT THE COMPANY DID NOT PROVIDE ANY SUPPORT FOR ITS**  
3 **CONTRACTED RATE?**

4 A. As discussed in my direct and rebuttal testimony, the Company believes that Noranda's  
5 Special Contract rate is prudent, appropriate and in the public interest for several reasons,  
6 and as the Staff is clearly aware, the supporting rationale and analysis regarding the  
7 discounted rate charged to Noranda has historically been examined and considered in  
8 various rate cases involving Liberty Utilities' predecessor companies. The longstanding  
9 agreement with Noranda pre-dates the 2000 acquisition of Associated Natural Gas by  
10 Atmos Energy Corporation, and this successful business history with Noranda has proven  
11 beneficial to the Company and its customers. Noranda is an interruptible customer that  
12 would have the capability to bypass the Company's local distribution system by obtaining  
13 a direct connection with Texas Eastern Transmission Company or utilize an alternative  
14 fuel source, if the full Large Transportation rate was charged. Various studies have  
15 concluded that the cost to provide interruptible service to Noranda is significantly less  
16 than the contracted price and such conclusions are confirmed in this case, as reflected in  
17 the rebuttal testimony of Mr. Brubaker filed on behalf of Noranda.

18 **Q. HOW DOES THE COMPANY RESPOND TO STAFF'S THIRD ARGUMENT**  
19 **REGARDING CASE NO. GR-2006-0387?**

20 A. Staff's argument simply states their \*\*\_\_\_\_\_\*\* from that  
21 case. The Commission did not rule on or approve Staff's recommendation in that case.

22 \*\*\_\_\_\_\_

1        \_\_\_\_,\*\* Staff's testimony fails to acknowledge the wealth of testimony in support of the  
2        Noranda contract submitted in the GR-2006-0387 proceeding. The Direct Testimony of  
3        the late George Swogger, Manager – Energy Procurement for Noranda, in Case No. GR-  
4        2006-0387, explains that after Noranda's efforts to obtain a reasonable rate from Atmos'  
5        predecessors failed, Noranda pursued a bypass as an alternative approach to reducing its  
6        cost; the contract rate was the response to preclude the bypass.

7                In addition, as addressed in the Company's previous testimony filed in this case,  
8        the financial implications of Staff's proposed revenue imputation are real and potentially  
9        devastating to the Company. Finally, charging Noranda the large firm general service  
10       rate results in over a \*\* \_\_\_\_\*\* increase to their current bill, and the Company believes  
11       that this would very likely cause Noranda to once again consider bypassing the system.

12  
13    **Q.    DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

14    A.    Yes.

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. )

Case No. GR-2014-0152

AFFIDAVIT OF CHRISTOPHER D. KRYGIER

STATE OF MISSOURI )  
 ) ss  
COUNTY OF CAPE GIRARDEAU )

Christopher D. Krygier, being first duly sworn on his oath, states:

1. My name is Christopher D. Krygier. I am employed by Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty Utilities") as Director, Regulatory & Government Affairs. My business address is 2751 N. High Street, Jackson, Missouri 63755.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Liberty Utilities, consisting of ten (10) pages, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Christopher D. Krygier 8/15/14  
Christopher D. Krygier

Subscribed and sworn before me this 15<sup>th</sup> day of August, 2014.

Denise Martin  
Notary Public

My commission expires: 7-17-2016

