

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Liberty Utilities (Midstates )  
Natural Gas) Corp. d/b/a Liberty's ) Case No. GR-2023-0128  
Purchased Gas Adjustment Tariff Filing )

**RESPONSE TO COMMISSION ORDER**

COMES NOW Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty ("Liberty"), and for its Response to Commission Order, respectfully states as follows to the Missouri Public Service Commission ("Commission"):

1. Liberty submitted its Purchased Gas Adjustment ("PGA") Actual Cost Adjustment ("ACA") filing for the 2021-2022 period in this case on November 4, 2022. This filing revised the ACA rates based on Liberty's calculations of its ACA account balance.

2. On December 12, 2023, the Staff of the Commission ("Staff") filed a recommendation and memorandum regarding its review of Liberty's 2021-2022 ACA filing. On December 13, 2023, the Commission issued its *Order Directing Response*, directing Liberty to respond to Staff's recommendations by January 11, 2024.

3. As detailed in the memorandum attached hereto, Liberty accepts Staff's analysis and recommendations, with the exception of Staff's proposed adjustment related to carrying costs for the Storm Uri balance. No adjustment should be made at this time to reflect any change in carrying costs. Liberty will work with Staff to attempt to reach agreement on this issue prior to the Company's next PGA filing (to be made November, 2024).

WHEREFORE, Liberty submits this Response to Commission Order and requests such relief as is just and proper under the circumstances.

Respectfully submitted,

/s/ Diana C. Carter  
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**CERTIFICATE OF SERVICE**

I hereby certify that the above document was filed in EFIS on this 11<sup>th</sup> day of January, 2024, with a copy sent to all counsel of record.

/s/ Diana C. Carter

## **2021-2022 PGA-ACA GR-2023-0128**

### **LIBERTY'S RESPONSE TO STAFF TECHNICAL DISCUSSION AND ANALYSIS**

On December 12, 2023, the Staff of the Commission (Staff) filed its Staff Recommendation regarding the 2021-2022 Actual Cost Adjustment (ACA) of Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty Utilities ("Liberty" or "Company"). On December 13, 2023, the Commission directed Liberty to respond to the Staff Recommendation by January 11, 2024.

Liberty will respond to the various issues identified by Staff in the following paragraphs. Liberty's response will reference the Staff Recommendation and Memorandum by use of the same section titles utilized by the Staff.

#### **I. BILLED REVENUE AND ACTUAL GAS COSTS**

##### **ACA Balances**

Liberty agrees with Staff's recommendation to correct the beginning ACA balances for each service area, as agreed to in the prior Case No. GR-2022-0128. Those changes have been made and will be reflected in future filings.

##### **Billed Revenues**

Staff reviewed PGA/ACA rates on a sample of customer bills and found "all rates charged to natural gas consumers agreed with approved rates, without exception."

##### **Natural Gas Costs**

Staff's testing of the Company's calculations and its reviews of invoices and other supporting documentation uncovered no significant differences.

##### **Imbalances/Cash-outs**

In posting ACA adjustments from the prior year's ACA case, GR-2022-0128, Liberty found that

the Staff recommended adjustments for Operational Flow Order (OFO) penalties had been made and would duplicate those entries. Staff verified and recalculated ACA balance increases for the Company’s Southeast (SEMO) and Northeast (NEMO) rate divisions in the amounts shown below. Liberty agrees with these recommended adjustments.

<b>Imbalances/Cash-outs - Regular ACA Balances</b>				
<b>SEMO</b>		<b>Reported</b>	<b>Corrected</b>	<b>Adjustments</b>
Commodity	\$	13,195,240.20	\$ 13,360,340.20	\$ 165,100.00
<b>NEMO</b>				
Commodity	\$	6,633,162.88	\$ 6,644,112.88	\$ 10,950.00

**Carrying (Interest) Costs**

Staff’s review found that commodity carrying cost calculations for the SEMO, NEMO, and Kirksville service areas were based on PGA revenues rather than total revenues including billing adjustments. Staff recalculated carrying costs for the current year ACA balances using total revenues, with the results summarized in the following table. Liberty accepts this recommendation.

<b>Carrying (Interest) Cost - Regular ACA Balances</b>				
<b>Regular - Commodity</b>		<b>Reported</b>	<b>Corrected</b>	<b>Adjustment</b>
<b>SEMO</b>	\$	32,347.98	\$ 32,419.39	\$ 71.41
<b>NEMO</b>	\$	26,552.36	\$ 26,605.29	\$ 52.93
<b>Kirksville</b>	\$	(3,096.09)	\$ (3,104.24)	\$ (8.15)

The Company disagrees with Staff’s proposed adjustments to carrying costs. Staff recalculated carrying costs for the total net under recovered balance using prime rate less 2%, rejecting the Company’s proposal to use pre-tax weighted average cost of capital (WACC). Staff’s proposed impacts to carrying costs included in the ending ACA balance are summarized in the table below.

<b>Carrying (Interest) Cost - Storm Uri Balances</b>				
<b>Storm Uri - Commodity</b>	<b>Reported</b>	<b>Corrected</b>	<b>Adjustment</b>	
<b>WEMO</b>	\$ 165,098.61	\$ 45,156.68	\$ (119,941.93)	
<b>SEMO</b>	\$ 38,382.55	\$ 10,319.23	\$ (28,063.32)	
<b>NEMO</b>	\$ 77,007.53	\$ 20,985.71	\$ (56,021.82)	

The Company believes the extended recovery periods for Storm Uri necessitate a more accurate measure of the actual financing costs over the three and five-year terms. Liberty continues to recommend that the Commission approve the Company’s request to apply WACC in the amount of 7.4% to these gas costs.

## **II. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING**

Staff proposed no financial adjustments related to reliability analysis and gas supply planning. On page 7 of the Staff Memorandum, Staff recommended Liberty “continue to monitor its pipeline contracts and maintain an appropriate reserve margin for each service area” and that it “review its school aggregation provisions to assure that they properly incentivize school aggregation pool operators to balance use and deliveries.” The Company accepts these recommendations.

## **III. HEDGING**

On page 9, Staff recommends that Liberty “continually monitor and be aware of any significant changes in natural gas supply and demand fundamentals over time.” Staff further recommends Liberty “continue to assess and document the effectiveness of its hedges for the 2022-2023 ACA and beyond, including 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 evaluating any potential improvements on the future hedging plan and its implementation.” Liberty accepts these recommendations.

#### IV. LIBERTY'S RESPONSE TO STAFF'S ACA BALANCE RECOMMENDEDATIONS

Staff recommends that the Commission issue an order requiring Liberty to adjust the balances in its 2021-2022 ACA filing to reflect Staff's calculations for (over)/under recovery of ACA balances per the following table:

<b>August 31, 2022 Ending ACA Balances</b>			
<b>WEMO</b>	<b>Reported</b>	<b>Adjustments</b>	<b>Staff Recommended</b>
Regular ACACommodity	\$ 928,953.94	\$ -	\$ 928,953.94
Regular ACA Demand	\$ (2,071.22)		\$ (2,071.22)
Storm Uri ACA	\$ 2,432,139.01	\$ (119,941.93)	\$ 2,312,197.08
<b>Total ACA</b>	<b>\$ 3,359,021.73</b>	<b>\$ (119,941.93)</b>	<b>\$ 3,239,079.80</b>
<b>SEMO</b>			
Regular ACACommodity	\$ 2,349,119.96	\$ 165,171.41	\$ 2,514,291.37
Regular ACA Demand	\$ 2,012,293.65		\$ 2,012,293.65
Storm Uri ACA	\$ 511,710.85	\$ (28,063.32)	\$ 483,647.53
<b>Total ACA</b>	<b>\$ 4,873,124.46</b>	<b>\$ 137,108.09</b>	<b>\$ 5,010,232.55</b>
<b>NEMO</b>			
Regular ACACommodity	\$ 1,944,941.36	\$ 11,002.93	\$ 1,955,944.29
Regular ACA Demand	\$ (150,099.25)	\$ -	\$ (150,099.25)
Storm Uri ACA	\$ 1,112,092.96	\$ (56,021.82)	\$ 1,056,071.14
<b>Total ACA</b>	<b>\$ 2,906,935.07</b>	<b>\$ (45,018.89)</b>	<b>\$ 2,861,916.18</b>
<b>Kirksville</b>			
Regular ACACommodity	\$ 881,237.52	\$ (8.15)	\$ 881,229.37
Regular ACA Demand	\$ 527,400.73	\$ -	\$ 527,400.73
<b>Total ACA</b>	<b>\$ 1,408,638.25</b>	<b>\$ (8.15)</b>	<b>\$ 1,408,630.10</b>

Liberty respectfully disagrees with Staff's recommendation to recalculate Storm Uri carrying costs using prime less 2%.