Exhibit No.:	
Issue:	Billing Determinants Study; Rate Design and Proposed Rates; Acquisition Stipulation Compliance; Special Contracts; Policy Proposals
Witness:	Christopher D. Krygier
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities
Case No.:	GR-2014-0152
Date Testimony Prepared:	February 6, 2014

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: GR-2014-0152

DIRECT TESTIMONY

OF

CHRISTOPHER D. KRYGIER

ON BEHALF OF

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

February 6, 2014

DIRECT TESTIMONY
OF
CHRISTOPHER D. KRYGIER

CASE NO. GR-2014-0152

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DIRECT TESTIMONY

OF

CHRISTOPHER D. KRYGIER

CASE NO. GR-2014-0152

I. POSITION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS AFFILIATION AND BUSINESS ADDRESS.

A. My name is Christopher D. Krygier, my business address is 2370 North High Street, Suite 1, Jackson, Missouri 63755. I am testifying on behalf of the applicant, Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty Utilities" or "Company").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. In 2006, I completed my Bachelor of Science in Economics from the W.P. Carey School of Business at Arizona State University. In 2010, I completed my Master of Business Administration with an emphasis in Finance also from Arizona State University. Finally, I am a Certified Management Accountant as designated by the Institute of Management Accountants.

I am employed by Liberty Utilities as its Director of Regulatory and Government Affairs for its natural gas, water and wastewater utilities in Missouri, Iowa and Illinois. I have been employed with Liberty Utilities since March 2012. Before working for Liberty

Utilities, I was employed by American Water Works, Inc. for approximately six years in a variety of capacities. Generally though, while at American Water, I worked in Financial Planning and Analysis, Rates, Regulatory Compliance and Capital Programs.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. No.

Q. HAVE YOU TESTIFIED ON MATTERS BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes, I have provided written and live testimony before the Arizona Corporation Commission. I have also provided written testimony before the Hawaii Public Utilities Commission.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. The purpose of my testimony is to describe how Liberty Utilities has met the Commission's minimum filing requirements ("MFR"); to sponsor the Billing Determinants Study for this case, including normalizing and pro forma adjustments; to support the rates and tariff changes proposed; to address how the Company's filing complies with the conditions of the Unanimous Stipulation and Agreement ("Acquisition Stipulation") approved by the Commission in Case No. GM-2012-0037; to sponsor and review the Company's special contracts with two industrial customers; and to address Liberty Utilities' policy proposals regarding the amendment of its Extension Policy Tariff and its proposed CNG tariff.

Q. ARE YOU SPONSORING ANY SCHEDULES IN CONNECTION WITH YOUR TESTIMONY?

A. Yes. I am sponsoring Schedules COS-2 and COS-3 which are included in this filing behind the Tab labeled "Cost of Service Model" ("COS"), and the Billing Determinants Study which is included in this filing behind the Tab labeled "Billing Determinants" ("BD"). I am also sponsoring Schedule CDK-1 pertaining to the proposed rate calculations in this proceeding; Schedule CDK2, which is the previously submitted Liberty Utilities' Cost Allocation Manual ("CAM"); Schedule CDK-3 (reserved for the submission of the updated Liberty Utilities' CAM); and Schedule CDK-4HC and Schedule CDK-5HC which pertain to special contracts.

<u>III. MINIMUM FILING REQUIREMENTS</u>

Q. WHAT IS THE PURPOSE OF THIS PART OF YOUR TESTIMONY?

A. This portion of my testimony details how the Company met the Commission MFR's outlined in 4 CSR 240-3.030 and 4 CSR 240-3.235. 4 CSR 240-3.030 sets forth the following requirements which were met and are located behind the transmittal cover letter labeled "MFR Exhibit No. 2."

A. Letter of Transmittal

B. General information, including:

1. the amount of dollars of the aggregate annual increase and percentage of increase over current revenues;

2. names of counties and communities affected;

3. the number of customers to be affected;

4. the average change requested in dollars and percentage change from current rates;

5. the proposed annual aggregate change by general categories of service and by rate classifications;

6. press releases relative to the filing; and

7. a summary of the reasons for the proposed changes.

Q. **ARE YOU SPONSORING THIS INFORMATION?**

A. Yes.

Q. **WAS THIS INFORMATION PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?**

A. Yes.

Q. **WHAT ARE THE OTHER MINIMUM FILING REQUIREMENTS?**

A. Commission Rule 4 CSR 240-3.235 details the requirement of a gas utility to submit a depreciation study as part of a general rate case.

Q. **HAS THE COMPANY PERFORMED A DEPRECIATION STUDY?**

A. The Company's predecessor entity, Atmos Energy Corporation ("Atmos") performed a depreciation study that satisfied this MFR. Page 8, Section 10(d) of the Acquisition Stipulation in part states: "Staff recognizes the Depreciation Study submitted by Atmos is sufficient for meeting the requirement of 4 CSR 240-3.275. The Signatories acknowledge that this study shall be deemed to meet Liberty-Midstates' requirement to perform a depreciation study within 5 years or 3 years prior to the next rate case." Accordingly, Liberty Utilities has met that requirement in 4 CSR 240-3.235.

IV. BILLING DETERMINANTS

Q. WHAT ARE BILLING DETERMINANTS?

A. Billing determinants are the units of service to which the Company's gas distribution rates are applied, specifically, the units include customer counts and the volumes of gas sold or transported. The ultimate results appear on a customer's bills as the monthly fixed fee and the monthly volumetric fee for service.

Q. ARE YOU SPONSORING THE SCHEDULES REGARDING THE BILLING DETERMINANTS ANALYSIS?

A. Yes, as previously noted, I sponsor Schedule COS-2 and COS-3 in the Cost of Service model and the complete Billing Determinants Study filed in this case, which were prepared by me or under my direction.

Q. PLEASE SUMMARIZE SCHEDULE COS-2?

A. COS-2 reflects a summary of revenues that would be collected from customers based upon the number of customers and associated gas usage, as adjusted for normal weather, and priced at the currently approved tariffs and rates. Per books test year billing units are reflected in columns (b) and (c). This data was extracted from the billing systems of the Company along with Atmos since Atmos performed the Company's billing for a portion of the test year. After the data was compiled into the model, two adjustments were applied. The first adjustment was to weather normalize natural gas consumption during the test year, which I will explain in more detail later. The second adjustment was for continued decreases in the residential customer count for each rate division.

Q. PLEASE DESCRIBE IN MORE DETAIL THE PURPOSE OF THE WEATHER NORMALIZATION ADJUSTMENT.

A. The intent of the weather normalization adjustment is to adjust commodity sales to reflect a more historical level of usage that would have occurred during the test year.

Q. WHAT METHODOLOGIES WERE USED TO CALCULATE THE WEATHER NORMALIZATION?

A. For each rate division, the Company calculated the adjustment to reflect usage under normal weather for residential and commercial customer classes. The weather stations utilized for actual and normal heating degree days by division were Kirksville, MO (USC00234544) for the NEMO division, Cape Girardeau, MO (USW00003935) for the SEMO division and Kansas City (USW00013988) for the WEMO division. Thirty year average weather utilized January 1, 1984 through December 31, 2013 daily temperatures for the 3 service area weather stations. Thirty year average monthly heating degree days were derived in the following manner. First, heating degree days were calculated for each day for the 30 year period. Second, the average heating degree day value for each day of the year was computed. Third, the average daily heating degree days were summed by month to obtain the 12 monthly 30 year average heating degree days.

For the residential and commercial customers, the following steps were taken to calculate the weather adjustment. First, the base, non-weather sensitive, usage is calculated. Next, the annual base load from the total use reveals the annual weather sensitive usage per customer, column (f). Next, the annual weather sensitive usage by HDD determines the weather dependency, column (j). Finally, the weather dependency times the HDD variance from normal weather calculates the monthly weather adjustment, column (n).

Q. PLEASE DESCRIBE BASE COUNT ADJUSTMENT.

A. The purpose of the base count adjustment is to reflect the ongoing decline of residential customers in the Company's three rate divisions. The Company employed a similar methodology to that used by Staff in the prior Atmos rate case, which resulted in a decline for each division. In the NEMO rate division, the adjustment applied was a decline of 194 customers. In the SEMO rate division, the adjustment applied was a decline of 259 customers. Lastly, in the WEMO rate division, the adjustment applied was a decline of 63 customers.

Q. PLEASE DESCRIBE HOW THE BILLING DETERMINANTS WERE CALCULATED FOR PURPOSES OF REFLECTING THE PROPOSED MARGIN REVENUES ON COS-3.

A. The underlying methodologies and process that were reflected in the calculation of the COS-2 proposed margin revenues were mirrored on COS-3, with the only difference being that the proposed rates, ISRS and proposed volumetric charge all reflect the proposed rates rather than current rates.

V. RATE DESIGN AND PROPOSED RATES

Q. IS THE COMPANY PROPOSING ANY MODIFICATIONS TO ITS EXISTING RATE DESIGN IN THIS CASE?

A. No, as discussed by Mr. Swain in his Direct Testimony, the Company is not proposing any modifications to its existing rate design in this proceeding. The Acquisition Stipulation in the GM-2012-0037 case, Paragraph 19(d), Miscellaneous Conditions, provides:

> If in its first general rate proceeding related to the acquired Atmos properties, Liberty-Midstates proposes to alter the existing rate districts,

> alter the existing rate classifications or to apply rate increases to customer classes within a rate district in a manner other than as an equal percentage increase to all customer classes and all rate elements, Liberty-Midstates will prepare and submit to Staff and OPC a class cost of service study together with detailed work papers for each district and customer class. The class cost of service study work papers will be provided in electronic format to Staff and Public Counsel at the time of Liberty-Midstates' direct testimony filing.

The Company has not prepared a class cost of service study for this proceeding. Accordingly, it is not proposing to alter the existing rate districts or to alter the existing rate classifications. In addition, it is proposing that the revenue increases to customer classes within the existing rate districts be applied on an across-the-board equal percentage basis to all customer classes and all rate elements.

Q. PLEASE DESCRIBE HOW THE COMPANY HAS DESIGNED RATES IN THIS PROCEEDING.

A. Included with my testimony is **Schedule CDK-1**, which was prepared by me. This Schedule utilizes Schedule COS-2, discussed above, which I used as a starting point for designing rates in this proceeding. Schedule COS-2 is the schedule that normalizes test period billing determinants and test period volumes. This is the appropriate place to begin allocating the Company's requested increase among customer classes and calculate the resulting rates.

Q. PLEASE CONTINUE.

A. The first step was to allocate the proposed increase by district. The second step was to apply the revenue increases to customer classes within the existing rate districts on an across-the-board equal percentage basis to all customer classes and all rate elements. The resulting rates are depicted on the attached **Schedule CDK-1**.

Q. ARE THERE ANY EXCEPTIONS TO THIS PRO-RATA APPROACH TO SPREADING THE OVERALL REQUESTED INCREASE?

A. Yes. Special contracts are not allocated any of the Company's proposed revenue increase. The special contracts, supported and described later in my testimony, are not tariff based charges, and thus are not included when allocating the increases in revenue.

VI. STIPULATION CONDITIONS

Q. CAN YOU PLEASE PROVIDE BACKGROUND ON THE ACQUISITION STIPULATION REFERENCED PREVIOUSLY?

A. Yes. The Company, Atmos, Commission Staff ("Staff"), the Office of the Public Counsel ("OPC") and IBEW Local No. 1439 ("IBEW") reached a Unanimous Stipulation and Agreement that was ultimately approved by the Commission in Docket No. GM-2012-0037 on March 14, 2012. The Acquisition Stipulation (and resulting Order approving its terms) included a number of items that impact Liberty Utilities' first rate case to be filed after the closing of the acquisition. I will discuss each of the conditions that the parties agreed to as part of the Acquisition Stipulation that have a direct impact on this rate case.

Q. **WHAT IS THE FIRST CONDITION REGARDING THE RATE MORATORIUM?**

A. In short, Liberty Utilities agreed not to file a general rate case for non-gas costs prior to December 31, 2013[1]. The Company complied with this condition by filing a rate case in 2014.

[1] Stipulation Page 4

Q. WHAT IS THE SECOND CONDITION REGARDING THE RATE BASE OFFSET?

A. The Company agreed to include a $16.34M rate base offset on its books and records[2]. The ultimate impact of this rate base offset is to reduce rate base and ultimately lower the overall revenue requirement requested in any base rate case for a period of ten years. The amortization of this amount is reflected on WP 7-8 of Schedule COS-7.

Q. WHAT IS THE THIRD CONDITION REGARDING ACQUISITION COSTS AND PREMIUM?

A. Among this condition's various subparts, the Company agreed that it would not seek to include or recover any amount of acquisition costs including all transaction costs (which are delineated in sub-part "a"), and the Company is not seeking recovery of such costs in this proceeding. A key section of this Condition relates to sub-part "d"[3] which states:

> "Liberty-Midstates shall record and separately identify all transition and transaction costs that are incurred as a result of this transaction by CSA service, by month incurred, and by FERC account for the review of Staff and OPC at the time of filing its next general rate case."

Q. HOW HAS THE COMPANY COMPLIED WITH THIS CONDITION?

A. Yes. The transition costs associated with the acquisition primarily consist of software investment in billing and accounting systems that were necessary since Atmos was not providing their respective systems as part of the acquisition. These costs are included within the various FERC utility plant accounts as part of the Company's proposed rate base. These transition costs are primarily reflected on WP 7-2 where they are embedded

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[2] Stipulation Page 4
[3] Stipulation Page 5

within the $24 million of Midstates General Office utility plant. The separately identified transaction costs were not included on Liberty Midstates books and are not being requested as part of the Company's cost of service.

Q. **WHAT IS THE FOURTH CONDITION REGARDING THE HANNIBAL GAS PLANT ENVIRONMENTAL COSTS[4]?**

A. The Company agreed not to include any environmental costs in rates unless the costs were related to new claims that were unknown to Atmos or the Company prior to the closing of the acquisition. The Company has not included any such costs in this rate case.

Q. **WHAT IS THE FIFTH CONDITION REGARDING WORKERS COMPENSATION CLAIMS?**

A. The Company agreed to not seek in rates any workman's compensation claims for incidents that predated the closing of the acquisition. The Company has not included any such costs in this rate case.

Q. **WHAT IS THE SIXTH CONDITION REGARDING PREPAID PENSION ASSET BALANCES?**

A. The Company agreed not to seek in rates any prepaid asset balances related to Atmos-Missouri balances in a future rate case. The Company has not included any such costs in this rate case.

Q. **WHAT IS THE SEVENTH CONDITION REGARDING AFFILIATE TRANSACTIONS AND THE COST ALLOCATION MANUAL ("CAM")?**

A. This section contains only one portion that directly relates to an action needed in this rate case, sub-part 7"e"[5], which in part states: "Liberty-Midstates shall file to seek approval

[4] Stipulation Page 5

from the Commission for its CAM prior to, or as part of, its next general rate case proceeding."

Q. ARE YOU SUBMITTING A COST ALLOCATION MANUAL FOR APPROVAL BY THE COMMISSION IN THIS PROCEEDING?

A. Yes. Attached to my testimony as Schedule CDK-2 is the CAM that was previously submitted to the Commission. The CAM outlines the methods of direct charges, cost allocations and related procedures that were utilized during the test year where applicable, and the resulting levels of such expenses and costs are prudent, just and reasonable. A revised version of the CAM is being finalized and, upon completion, will be filed in this docket for approval by the Commission. The submission of the revised CAM should occur in the very near future, and Schedule CDK-3 (Cover Sheet) is attached and reserved for that purpose. At the appropriate time, the Company will update any resulting financial impacts along with other known and measurable changes to be captured during the update period.

Q. WHY IS THE CAM BEING REVISED?

A. Given the growth that Liberty Utilities (Canada) Corp. ("LUC" – an indirect parent of its regulated utility subsidiary Liberty Utilities) has experienced in the past two years and LUC's commitment to continually review its practices and make revisions where necessary to adopt best practices, LUC decided that it was appropriate to re-evaluate its CAM. As a result of that evaluation, LUC determined that it could more precisely determine cost drivers for some categories of allocated costs and that those drivers should be used in lieu of a factoring methodology.

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[5] Stipulation Page 7

Q. CAN YOU PLEASE PROVIDE AN OVERVIEW OF HOW THE CAM ALLOCATES COSTS TO LIBERTY UTILITIES?

A. There are three buckets of costs allocated to Liberty Utilities. The first bucket of cost is the costs from APUC. These costs primarily relate to financing and strategic management costs. Where possible these costs are directly charged to an entity. If they cannot be directly charged, they are allocated to LUC and Algonquin Power Co. ("APCo") through a three factor methodology. The three factors are revenue, expenses (net of cost of fuel or power), and plant-in-service. Each of the three factors is given equal weight, or 33.3%.

The second bucket of cost is the costs from LUC ("LUC Bucket"). The LUC Bucket includes (i) costs that can be directly billed to a particular entity ("Direct Costs"), (ii) costs that are incurred by LUC solely for the benefit of its subsidiaries ("System-Wide Costs"), (iii) costs that are incurred by LUC for the benefit of the entire company, i.e., LUC and APCo ("Company-Wide Costs"), and (iv) costs that have been allocated from APUC ("APUC Indirect Costs"). The Direct Costs are of our course directly billed to the entity receiving the service. The System-Wide Costs are allocated using a four factor methodology. The four factor methodology allocates costs by relative size of the utilities. The four factor methodology used by LUC involves (1) utility plant, (2) total customers, (3) non-labor expenses, and (4) labor as allocating factors, with each factor assigned an equal weight. The Company-Wide Costs and APUC Indirect Costs are allocated using cost drivers.

The third bucket of cost is the costs from Liberty Utilities Services Corp. ("LUSC"). In the coming months, Liberty Utilities and LUC's other U.S. operating entities will be transferring all of their U.S. employees to LUSC (I would note that no physical assets are involved in such transfer). At which point, LUSC will provide all of the services currently provided by Liberty Utilities' employees. These costs will largely be direct billed to the relevant utility. However, any costs that are not able to be directly billed will be allocated to the various utilities using cost drivers.

Q. WILL THE OPERATIONS OF LIBERTY UTILITIES CHANGE IN ANY WAY AS A RESULT OF MOVING THE EMPLOYEES TO LUSC?

A. Other than the name of the employer on the employees' pay checks, nothing is expected to change. Employees will continue to time sheet, i.e., direct charge, their time as they previously have. Additionally, just as we do today, time spent for the benefit of Liberty Utilities as a whole, i.e., in support of Iowa, Illinois, and Missouri operations, will be allocated according to a four factor methodology, which uses the following factors:

Utility Plant	50%
Customer Count	40%
Non-Labor Expenses	5%
Labor	5%
Total	**100%**

There is no change to the level of visibility afforded to the Commission on this expense. As reflected in the underlying COS schedules, time or expenses that benefit all three states within the Midstates division are charged to one location and allocated to the three states based on the four factor approach described above.

Q. WHAT ARE THE BENEFITS OF MOVING THE LIBERTY UTILITIES EMPLOYEES TO LUSC?

A. Liberty Utilities expects that it will be able to provide utility service more efficiently through access to the shared pool of employees within LUSC. Liberty Utilities will have greater redundancy as well as enhanced access to emergency backup support. Liberty Utilities will have access to a broader pool of knowledge resources, which may reduce the need for more costly external consultants. Additionally, this transaction will simplify pension and payroll administration across the LUC regulated utilities' footprint of water, wastewater, natural gas and electric utilities, which is anticipated to benefit Liberty Utilities.

Q. HOW WILL LIBERTY UTILITIES ENHANCE ITS SYSTEM REDUNDANCY AND EMERGENCY RESPONSE?

A. The LUC regulated utilities' local model ensures that each utility has a full staff dedicated to its needs, *i.e.*, each utility has an accounting group, information technology support, human resources, *etc*. With all of these employees residing in LUSC, Liberty Utilities will have built in redundancy for each department. So for instance, if someone in accounts payable is out on extended leave an accounts payable employee traditionally dedicated to a different utility would be able to provide support to Liberty Utilities.

During an emergency, not only does a utility need additional operational support but due to call volume increases additional customer service representatives are needed. While utilities have mutual aid agreements to provide operational support, there is generally no ability to obtain emergency customer service support. The proposed transaction would give Liberty Utilities access to emergency customer service support, because customer service representatives from other regions could be used in an emergency to handle overflow calls, thereby increasing the level of customer service. Additionally, operational personnel from other regions could be used to assist Liberty Utilities' dedicated personnel in restoring service.

Q. HOW WILL LIBERTY UTILITIES HAVE BETTER ACCESS TO KNOWLEDGE RESOURCES?

A. The operating subsidiaries of LUC currently provide electrical utility service to approximately 90,000 customers, natural gas distribution service to over 282,000 customers, and regulated water service to more than 73,000 customers. The combined knowledge of these employees will be unified in LUSC, which Liberty Utilities will be able to access. Again, in accordance with the provisions of the Acquisition Stipulation, the Company is requesting approval of its revised CAM in this proceeding, and respectfully submits that such approval is in the public interest.

Q. **ARE THESE ALL OF THE PORTIONS OF THE STIPULATION THAT DIRECTLY RELATE TO THE RATE CASE?**

A. To the best of my knowledge, yes.

Q. ARE THERE ANY OTHER AREAS IMPLICIT IN THE STIPULATION THAT YOU WOULD LIKE TO ADDRESS?

A. Yes. The Acquisition Stipulation's requirement that the Company formally adopt in whole Atmos' tariffs verbatim upon the closing of the transaction, obviously placed Liberty Utilities in the shoes of Atmos regarding the Energy Conservation and Efficiency Program ("EE Program"). I simply wish to advise the Commission that Liberty Utilities is committed to our EE Program and we are proposing no changes to the Program or its specific components in this proceeding. The Company has filed its Annual Energy Efficiency Reports with the Commission in accordance with the Commission's Order in Case No. GR-2010-0192, and we appreciate the continued support and work of our Advisory Group in this important area.

VII. SPECIAL CONTRACTS

Q. ARE YOU SPONSORING THE SPECIAL CONTRACTS THE COMPANY HAS WITH CERTAIN CUSTOMERS?

A. Yes, I sponsor the two contracts the Company has in place. The first contract is with Noranda Aluminum, Inc. ("Noranda"), which is located in New Madrid County, Missouri and is part of the Company's SEMO Division. The second contract is with General Mills ("GM") located in Hannibal, Missouri, which is part of the Company's NEMO Division.

Q. ARE EITHER NORADANA OR GENERAL MILLS AFFILIATED WITH THE COMPANY?

A. No.

Q. PLEASE DESCRIBE THE CONTRACT WITH NORANDA?

A. Attached to my testimony as **Schedule CDK-4HC** is the current contract with Noranda. The contract lists all of the terms and conditions of Liberty Utilities providing gas service to Noranda. Please note that this Schedule is deemed **HIGHLY CONFIDENTIAL** and should be treated accordingly. Paragraph 7 (Special Contracts) of the Unanimous Stipulation and Agreement approved in Atmos' last rate case, Case No. GR-2010-0192 et al., provided in part that said paragraph "shall not be construed to limit the ability of Atmos and Special Contract customers: i) to accept alternative mutually agreeable contract provisions, or ii) to enter into alternative mutually agreeable contracts for service." It's my understanding that Liberty Utilities and Noranda are currently negotiating an alternative mutually agreeable contract for service, and the Company will submit the new contract as a supplemental highly confidential schedule once it is finalized and executed.

Q. WHY DOES THE COMPANY HAVE A SPECIAL CONTRACT FOR NORANDA?

A. The Company believes the special contract with Noranda is fair to both Noranda and Liberty Utilities' other customers. Noranda continues to be a large employer in the Company's SEMO with extensive energy needs due to its business processes. Due to the competitive nature of Noranda's business, Noranda needs to produce its product with as competitive an energy price as possible. Besides pricing considerations, Noranda still has the option to interconnect with the Texas Eastern Transmission Company (TETCO). Entering into the contract with Noranda prevents Noranda from switching to TETCO during the contract period, which ultimately benefits customers.

Q. PLEASE DESCRIBE THE CONTRACT WITH GENERAL MILLS?

A. Attached to my testimony as **Schedule CDK-5HC** is the contract that went into effect on March 1, 2005. The contract lists all of the terms and conditions of Liberty Utilities providing gas service to General Mills. Please note that this Schedule is deemed **HIGHLY CONFIDENTIAL** and should be treated accordingly.

Q. IS THIS THE SAME EXACT CONTRACT THAT WAS REVIEWED DURING THE PRIOR ATMOS RATE CASE?

A. Yes.

Q. WHY DOES LIBERTY UTILITIES HAVE A SPECIAL CONTRACT WITH GENERAL MILLS?

A. The General Mills plant continues to occupy the same location in Hannibal, Missouri, which is located in close proximity to the Panhandle Eastern Pipeline Company ("PEPL"). Given the proximity to PEPL, with a small capital investment General Mills could interconnect with PEPL and by-pass Liberty Utilities. Accordingly, the Company continues to believe it is necessary to provide General Mills, through a special contract, a discounted rate to incent General Mills to continue having Liberty Utilities provide gas service.

Q. HOW WERE NORANDA'S AND GENERAL MILLS' CONTRACTS TREATED IN THE LAST RATE CASE, DOCKET NO. GR-2010-0192, ET AL?

A. As addressed in Paragraph 7 of the Unanimous Stipulation and Agreement referenced above, the signatories agreed that revenues associated with special contracts should not be imputed in the case.

Q. WHY IS IT IN THE PUBLIC INTEREST FOR THE COMMISSION TO CONTINUE TO TREAT THESE CONTRACTS IN THE SAME MANNER?

A. Both of these contracts continue to provide benefits to Liberty Utilities' customer base. The presence of these contracts provides two large customers that contribute to fixed and variable cost recovery of the Company's cost of service. Without Noranda and General Mills, the revenue requirement would be shifted to Liberty Utilities' other customers increasing the average customer bill.

VIII. POLICY PROPOSALS

Q. WHAT POLICY PROPOSALS IS THE COMPANY ADVOCATING IN THIS PROCEEDING?

A. The Company requests two changes. The first is a change to the amount of free main footage that is offered through the Company's Extension Policy tariff, Sheet No. 101, from 150 feet for residential customers to 350 feet.

Q. HOW DID THE COMPANY ARRIVE AT 350 FEET?

A. While the Company did not perform a detailed study that indicated a move to 350 feet was the "right" answer, the Company is looking to make a dramatic shift that may change its future course with regards to customer growth in the service territory. This is one tool to hopefully mitigate the declining customer count challenge that was described in the Billing Determinants Study above.

Q. IS THIS A PERMANENT CHANGE THE COMPANY IS REQUESTING?

A. No, the Company requests that as a trial program between now and its next general rate case it be authorized to extend the amount of free main from 150 feet to 350 feet. At the time of the next rate case, the Company would be required to request from the Commission the ability to continue the program at 350 feet. Commission Staff and OPC would evaluate the Company's request and make a recommendation regarding the continuation of the program.

Q. WOULD THE COMPANY REPORT ON PROGRAM PROGRESS IN BETWEEN RATE CASES?

A. Yes. As part of this rate filing, the Company would work with Commission Staff and OPC to develop reporting format, timing, content and frequency, among other items so program progress could be measured and analyzed on an ongoing basis.

Q. WHAT HAPPENS IF THE COMPANY DOES NOT MAKE A REQUEST IN ITS NEXT GENERAL RATE CASE?

A. If the Company fails to make a request to continue to the program, the tariff sheet would default back to 150 feet.

Q. WHY IS THE COMPANY MAKING THIS REQUEST?

A. The goal of the tariff update is to hopefully incent economic growth in the service territory via additional residential development. Increased free footage may spur additional residential homes to include natural gas and thus increase the number of growth.

Q. IS THIS DECLINING CUSTOMER COUNT A NEW DEVELOPMENT SINCE THE MISSOURI PROPERTIES WERE ACQUIRED FROM ATMOS?

A. Not at all. The last Atmos rate case contained direct testimony of Gary Smith, Pages 8-9, describing how each of the three operating divisions experienced an average yearly customer count decline, NEMO by 323 customers, SEMO by 412 customers and WEMO by 56 customers.

Q. HAS THAT TREND CONTINUED?

A. Yes, the Atmos data referenced above analyzed year over year changes from June 2006 through June 2009. Updating that analysis through September 2013 indicates the following declines by rate divisions, NEMO 194, SEMO 259 and WEMO 63.

Q. WHAT IS DRIVING THIS TREND?

A. It is extremely difficult to pinpoint an exact reason why customers are ultimately leaving the service areas; regardless, the impact directly influences the ultimate costs of providing service to customers.

Q. PLEASE SUMMARIZE WHY INCREASING THE AMOUNT OF FREE MAIN FOOTAGE IN THE COMPANY'S MAIN EXSTENSION TARIFF IS IN THE PUBLIC INTEREST?

A. This trial program is a creative solution to a unique problem. If successful, it will help stem the tide of declining customer counts which can ultimately result in higher rates for customers.

Q. WHAT IS LIBERTY UTILITIES' SECOND POLICY PROPOSAL?

A. Liberty Utilities' second policy proposal relates to Compressed Natural Gas.

Q. WHAT IS COMPRESSED NATURAL GAS ("CNG")?

A. CNG is made by compressing natural gas (which is mainly composed of methane), to less than 1 percent of the volume it occupies at standard atmospheric pressure. CNG can be used in place of gasoline, diesel fuel and propane. CNG combustion produces fewer undesirable gases than the fuels mentioned above and is therefore considered to be a much "cleaner" fuel compared to its peers.

Q. WHAT ARE THE BENEFITS OF CNG?

A. There are several advantages to CNG, including:

1) It is an abundant resource with ample domestic supply.

2) It is a "clean" fuel with significantly less emissions than gasoline, propane or diesel.

3) Economically, CNG provides significant cost advantages to using traditional fuels, which could result in savings of $1.35[6] per Gasoline Gallon Equivalent ("GGE").

Q. WHY IS THE COMPANY INTERESTED IN ENTERING THE CNG MARKET?

A. The Company is interested in entering the CNG market for the reasons stated above. Put simply, it is a cleaner, cheaper, "homemade" fuel, and Liberty Utilities believes that with the abundant supply, the economics will be favorable for customers for years to come. In accordance with this belief, Liberty Utilities plans to replace its current fleet with CNG or

[6] Source: Clean Cities Alternative Fuel Report, October 2013, found online at: http://www.afdc.energy.gov/uploads/publication/alternative_fuel_price_report_oct_2013.pdf

duel fuel vehicles when a vehicle's time for replacement arrives. Currently, Liberty Utilities' sister natural gas utility in Georgia has started using CNG vehicles in 2013, and is planning on rolling out an additional 14 vehicles in 2014.

Q. IS THERE ANYTHING THAT WOULD PREVENT LIBERTY UTILITIES FROM CONVERTING ITS FLEET?

A. Unfortunately, at present there are no public options to refuel CNG vehicles in the Company's Missouri service areas. Accordingly, before its fleet can be converted Liberty Utilities needs to secure a fueling source.

Q. HOW DOES LIBERTY UTILITIES PLAN TO ENCOURAGE THE DEVELOPMENT OF CNG FUELING IN ITS SERVICE TERRITORY?

A. Liberty Utilities plans to offer two ways to motivate the development of CNG within its service territory. First, Liberty Utilities is proposing a "Compressed Natural Gas" ("CNG") tariff in this proceeding, which is the first step in encouraging the development of public CNG fueling stations. Second, Liberty Utilities is seeking a waiver of the lower of cost or market rules related to affiliate transactions in order to assist with the economic viability of public fueling stations. This waiver would ensure that a Liberty Utilities affiliate could develop a station by ensuring that Liberty Utilities is able to provide a base-load commitment that would make the project economically feasible.

Q. COULD YOU PLEASE ELABORATE ON THE CNG TARIFF THE COMPANY IS PROPOSING TO PUT IN PLACE?

A. The Company is proposing a new CNG Tariff that would include a volumetric charge, a commodity charge, and a facilities charge, which is designed to recoup the investment in storage and compression that is needed to service a fueling station.

Q. DO ANY OTHER MISSOURI NATURAL GAS UTILITIES HAVE A CNG TARIFF?

A. Yes, Laclede Gas Company has had a Vehicular Fuel Rate ("VF") tariff in effect for several years.

Q. HOW IS LACLEDE'S TARIFF STRUCTURED?

A. Laclede's current tariff is structured to charge a monthly customer charge and volumetric rate, currently $22.09 and $5.332 per therm respectively, as well as the cost of purchased gas.

Q. ARE THERE ANY DIFFERENCES BETWEEN LIBERTY UTILITIES' PROPOSED CNG TARIFF AND LACLEDE'S VF TARIFF?

A. Yes. Liberty believes that the storage and compression functions involved in a CNG fueling station are inherently best provided by the utility as a utility service, so Liberty Utilities proposes to own that infrastructure and recoup the costs from the CNG customers through the facilities charge included in the CNG Tariff.

Q. WHY SHOULD THE COMPRESSION AND STORAGE FACILITIES BE TREATED AS UTILITY PLANT?

A. Since the CNG operation itself is, by definition, related to the natural gas business, it makes sense that the Company reflect this as part of its investment. Including it with the utility operations allows the utility to apply stringent safety and operational expertise to running these facilities. In addition, this approach allows Commission Staff to oversee the assets from a technical, safety, and rates perspective.

Q. HOW WOULD THE COMPANY PROPOSE TO HANDLE THESE INVESTMENTS IN STORAGE AND COMPRESSION IN FUTURE RATE CASES?

A. The Company would propose to handle this portion of the cost of service like any other. In its next general rate case the Company would perform a cost of service study on its CNG assets and propose revised prices at that time for Commission consideration.

Q. WHY IS AUTHORIZING A CNG TARIFF IN THE PUBLIC INTEREST?

A. The Company's proposed CNG Tariff is in the public interest for the reasons discussed previously, including the advancement of a safe, economical vehicle fuel that provides significant environmental benefits.

Q. PLEASE EXPLAIN WHY THE COMPANY SHOULD BE EXEMPT FROM THE LOWER OF COST OR MARKET TEST FOR ITS OWN FLEET IF AN AFFILIATE ENTITY IS PROVIDING FUELING SERVICES.

A. Without this waiver, a public fueling station will not be built in the service territory in the foreseeable future as a Liberty Utilities affiliate is the only entity that has expressed any interest in investing in public CNG fueling stations in the service territory. Liberty Utilities' load commitment is important to providing the base-load demand necessary to support a public fueling station; however, if Liberty Utilities is not able to recover the costs it cannot make this commitment. The public policy benefits of a public fueling station include:

a. Reduced fuel costs for the CNG fleet as part of the Company's O&M costs. As described earlier in my testimony, this can result in savings of $1.35 per GGE.

b. Local businesses will be able to convert to CNG and take advantage of fuel cost savings, which increases efficiency of their operations and could add to local economic activity.

c. Construction of the station will continue to demonstrate a commitment to "green" initiatives.

d. The provision of a green fuel source will overtime reduce carbon emissions.

Collectively, these reasons justify the waiver. In short, with a proposal that has the ability to benefit customers, shareholders, the local economy, and includes environmental benefits, it seems that this is an opportunity for a "win-win" scenario.

Q. WHY IS AUTHORIZING A WAIVER IN THE PUBLIC INTEREST?

A. The station would allow Liberty to implement CNG fueling in its fleet, provide cost savings to utility customers and continue to promote clean fuels. In addition, the station would provide benefit to other local businesses, the local economy, and potentially have positive impacts on employment.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

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 2370 N. High Street, Suite 1, Jackson, Missouri 63755.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Liberty Utilities, consisting of twenty-six (26) pages, Schedules CDK-1 through CDK-5HC, Schedules COS-2 and COS-3, and the Billing Determinants Study, 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.

Chris Krygier 2/6/14
Christopher D. Krygier

Subscribed and sworn before me this 6th day of February, 2014.

Tisha Ann Sanderson
Notary Public

My commission expires: 4-28-14

TISHA ANN SANDERSON
Notary Public - Notary Seal
STATE OF MISSOURI
Cape Girardeau County
Commission # 10967562
My Commission Expires: April 28, 2014