

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

In the matter of Liberty Energy (Midstates)       )  
Corp.'s Purchased Gas Adjustment Filing.        )

**File No. GR-2012-0129**

**LIBERTY UTILITIES'  
RESPONSE TO STAFF RECOMMENDATION**

**COMES NOW** Liberty Energy (Midstates) Corporation d/b/a Liberty Utilities<sup>1</sup> ("Liberty" or "Company"), and pursuant to 4 CSR 240-2.080 and the Commission's *Order Directing Response* issued on October 7, 2013, states its response to the Staff's Recommendation filed on October 4, 2013 as follows:

On October 4, 2013, the Commission Staff filed its recommendation following completion of the audit of the 2011-2012 Actual Cost Adjustment ("ACA") filing. The Staff's audit consisted of a review and analysis of the billed revenues and actual gas costs for the period of September 1, 2011 to August 31, 2012 for all areas served by the Company in Missouri.

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

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

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<sup>1</sup> By its *Order Granting Application* issued on October 17, 2013 and effective November 1, 2013 in Case No. GN-2014-0090, the Commission granted the application and recognized the name change of Liberty Energy (Midstates) Corp. d/b/a Liberty Utilities to Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities.

<b>ALL AREAS</b> (+) Under-recovery (-) ) Over-recovery	<b>Filed Balances for</b> <b>2011-2012</b> <b>(Ending 8-31-12)</b>	<b>Staff Adjustments</b>	<b>Staff Balances for</b> <b>2011-2012</b> <b>(Ending 8-31-12)</b>
<b>Southeast Area:</b>			
Demand ACA	\$466,598	\$0	\$466,598
Commodity ACA	(\$1,695,598)	(\$4,203)	(\$1,699,801)
<b>Kirksville Area:</b>			
Demand ACA	\$51,206	\$0	\$51,206
Commodity ACA	(\$207,629)	(\$108)	(\$207,737)
<b>West Area:</b>			
Demand ACA	\$55,371	\$0	\$55,371
Commodity ACA	(\$129,885)	\$0	(\$129,885)
<b>Northeast Area:</b>			
Demand ACA	\$226,152	\$0	\$226,152
Commodity ACA	(\$399,415)	(\$2,772)	(\$402,187)

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

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

#### **Bid Process—Total Company**

Staff recommends “that Liberty continually evaluate reasonable alternatives to improving qualified bidder participation and document these efforts for subsequent review.” (Staff Memorandum, p. 4).

Liberty accepts this recommendation.

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

### **Peak Day Demand Studies**

Staff recommends “the peak day demand studies include the Company’s estimate of capacity reserve margins and include an explanation of the Company’s assumptions for growth or decline to the estimates of the peak day requirements for future years.” (Staff Memorandum, p. 6)

Liberty accepts this recommendation.

### **Supply Plans**

Staff recommends Liberty review its supply plans so that it is not just filling available capacity but is making decisions regarding supply agreement and storage withdrawals that tie back to its supply plans for various weather conditions, including normal and peak day requirements. (Staff Memorandum, pp. 6-7)

Liberty accepts this recommendation.

## **III. HEDGING**

Staff recommends that the “Company should evaluate its hedging strategy in response to changing market dynamics to balance the cost of hedging against the goal of price stabilization, and thus to achieve a cost effective hedging outcome.” Staff also recommends that 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 from the 2012-2013 ACA and beyond. (Staff Memorandum, pp. 7-8).

Liberty accepts these recommendations.

#### **IV. SUMMARY**

In summary, the Company agrees with the ACA balance adjustments proposed by Staff and accepts the other recommendations included in the Staff Technical Report And Analysis, as discussed herein.

**WHEREFORE**, the Company respectfully recommends that the Commission issue its Order Approving ACA Balances, as recommended by Staff.

**Respectfully submitted,**

/s/ James M. Fischer

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#### **CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of this document has been hand-delivered, emailed or mailed, First Class, postage prepaid, this 29<sup>th</sup> day of October, 2013, to:

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/s/ James M. Fischer

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