

MEMORANDUM

TO: Missouri Public Service Commission Official Case,
Case No.GR-2025-0138, Liberty Utilities (Midstates Natural Gas) Corp.

FROM: Kwang Y. Choe, PhD, Economics Analyst
David T. Buttig, PE, Senior Professional Engineer
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Procurement Analysis Department, Financial and Business Analysis Division

/s/ David M. Sommerer 12/11/2025
Project Coordinator / Date

SUBJECT: Staff Recommendation in Case GR-2025-0138, Liberty Utilities
(Midstates Natural Gas) Corp. 2023-2024 Actual Cost Adjustment Filing

DATE: December 11, 2025

EXECUTIVE SUMMARY

On November 4, 2024, Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty Utilities (“Liberty Midstates” or “Company”) filed its Actual Cost Adjustment (“ACA”) for the 2023-2024 annual period for rates to become effective on December 1, 2024. This filing revised the ACA rates based upon the Company’s calculations of the ACA balance for the 2023-2024 period. The Commission approved those rates on an interim subject to refund basis, with an effective date of December 1, 2024.

The Procurement Analysis Department (“Staff”) of the Missouri Public Service Commission reviewed the Company’s ACA filing. Staff’s analysis consisted of:

1. A review and evaluation of the Company’s billed revenues and its natural gas costs for the period of September 1, 2023, to August 31, 2024;
2. A reliability analysis of the Company’s estimated peak day requirements and the capacity levels to meet those requirements;
3. An examination of the Company’s natural gas purchasing practices to determine the prudence of the Company’s purchasing decisions; and
4. A hedging review to evaluate the reasonableness of the Company’s hedging practices for this ACA period.

Based on Staff's review, adjustments to the Company's filed ACA balances have been recommended to reflect the actual billed revenues less natural gas costs for the period under review. Please see the Recommendations section for adjusted ACA balances and Staff's recommendations.

STAFF'S TECHNICAL DISCUSSION AND ANALYSIS

Staff's discussion of its findings is organized into the following five sections:

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I. OVERVIEW

Service Area

For the purpose of natural gas cost recovery, Liberty Midstate's systems in Missouri are grouped into three geographic areas: Northeast, Southeast and West plus a fourth PGA division, Kirksville, which is separate from the Northeast Service Area. A more detailed description, with the associated interstate pipelines serving these areas, follows:

The Northeast Service Area ("NEMO") includes Hannibal-Canton, Bowling Green, and Palmyra and is served by Panhandle Eastern Pipe Line Company ("PEPL") under an Asset Management Agreement ("AMA") with ** [REDACTED] **. The NEMO area serves an average of 14,353 sales customers.

The Southeast Service Area ("SEMO") includes Jackson, with gas transportation provided by Natural Gas Pipeline Co. of America ("NGPL") and was served under an AMA agreement with ** [REDACTED] ** through March 2023, and is now served under an AMA with ** [REDACTED] **; Piedmont and Arcadia, served by Mississippi River Transmission Corp. ("MRT") under an AMA agreement with ** [REDACTED] **; and the Southeast Missouri Integrated system, served by Texas Eastern Transmission, LP ("TETCO") and Ozark Gas Transmission, LLC, under an AMA agreement

with ** [REDACTED] **. The Southeast Service Area also

includes the former Neelyville/Qulin Service Area. Cumulatively, SEMO serves an average of 30,394 sales customers.

The West Service Area (“WEMO”) includes the city of Butler, served by PEPL under a supply agreement with ** [REDACTED] **, and Stateline, also known as Rich-Hill/Hume, served by Southern Star Central Gas Pipeline, Inc. (“SSCGP”) under a transportation agreement with Atmos Energy Corporation and a supply agreement with ** [REDACTED] **. WEMO serves an average of 3,801 sales customers.

The Kirksville Service Area is served under an AMA agreement with ** [REDACTED] ** with natural gas transportation provided by ANR Pipeline Company (“ANR”). Kirksville serves an average of 3,846 sales customers.

The total customer count for all service areas is an average of 52,394 sales customers.

II. BILLED REVENUE AND ACTUAL GAS COSTS

ACA Balances

ACA balances are cumulative such that the ending balance of one period becomes the beginning balance of the next period. The beginning ACA balance reported for each service area did not include adjustments proposed and agreed to by Liberty Midstates late November 2024 in GR-2023-0253 (2022-2023 ACA period).

Staff Recommended Adjustments GR-2025-0138			
NEMO	Regular	Storm Uri	Total Adjustment
Demand	(\$427.36)	\$0.00	(\$427.36)
Commodity	(\$31,560.82)	\$31,218.98	(\$341.84)
SEMO			
Demand	\$15,634.01	\$0.00	\$15,634.01
Commodity	\$17,232.33	\$0.00	\$17,232.33
WEMO			
Demand	(\$182.37)	\$0.00	(\$182.37)
Commodity	(\$72,631.45)	\$60,259.77	(\$12,371.68)
Kirksville			
Demand	\$225.65	\$0.00	\$225.65
Commodity	\$11,728.96	\$0.00	\$11,728.96

Billed Revenues

For each service area, Staff reviewed a sample of customer bills to ensure the PGA/ACA rates charged for natural gas reflected Commission approved PGA/ACA rates. All rates charged to natural gas consumers sampled agreed with approved rates, without exception. In addition, Staff recalculated billed revenue, applying approved rates to volumes of natural gas consumed and testing recoveries allocated between regular and Storm Uri ACA balances with immaterial differences noted in rate transition months. Further, Staff tested the reasonableness of total revenues reported by comparing the total natural gas volumes billed to the sum of natural gas volumes purchased plus/minus changes in inventory and lost and unaccounted natural gas summaries. No material differences were noted.

Natural Gas Costs

Natural gas costs include natural gas supply costs, interstate pipeline transportation costs including pipeline rate case refunds, when applicable, and hedging gains and losses. Staff agreed each natural gas supply and interstate pipeline invoice to Liberty Midstates' ACA filing by service area, ensuring proper classification of each cost category as either commodity or demand. Staff also reconciled and recalculated storage balances, hedging gains/loss allocations, injections/withdrawals and weighted average cost of gas ("WACOG") to supporting documentation on a test basis. On a test basis, Staff also agreed invoiced natural gas rates to gas supply contracts or other referenced rate sources, such as First of Month ("FOM") pricing, pipeline tariff, etc. Based on testing, no material differences were noted.

Imbalances/Cash-outs

Liberty Midstates transportation tariff contains a cash out provision which reconciles a transportation customer's imbalance by requiring Liberty Midstates to either buy (shown as a billing credit) or sell (shown as a billing charge) natural gas to the transportation customer equal to the customer's monthly imbalance.¹ Staff reviewed imbalances and cash out calculations, on a test basis, and compared the imbalance charges/credits to transportation customer invoices and the ACA filing. No material exceptions were noted.

¹ "Balancing" by a transportation customer or a pool of transportation customers, means that the amount of gas put into Liberty Midstates' system (receipts) is made equal to the amount used or taken out of Liberty Midstates' system (deliveries). When a transportation customer puts more or less gas into Liberty Midstates' system than it uses, this is referred to as an "imbalance."

Carrying (Interest) Cost

Due to the Commission approved balance in Case No. GR-2023-0253 for the 2022-2023 ACA period, the impact of these balances resulted in an adjustment to carrying costs (interest). The impact of these adjustments on carrying costs is summarized in the table below.

Carrying Cost Adjustments by Service Area			
NEMO	<u>Reported</u>	<u>Corrected</u>	<u>Under/ (Overstated)</u>
Demand	(\$117,028.99)	(\$117,000.34)	\$28.65
Commodity (Regular)	(\$52,586.05)	(\$50,472.38)	\$2,113.67
Commodity (Storm Uri)	\$18,820.77	\$16,730.00	(\$2,090.77)
SEMO			
Demand	(\$70,804.29)	(\$71,851.35)	(\$1,047.06)
Commodity (Regular)	(\$95,757.17)	(\$96,911.24)	(\$1,154.07)
Commodity (Storm Uri)	\$0.00	\$0.00	\$0.00
WEMO			
Demand	(\$721.90)	(\$709.69)	\$12.21
Commodity (Regular)	(\$68,007.73)	(\$63,143.45)	\$4,864.28
Commodity (Storm Uri)	\$99,212.63	\$95,176.91	(\$4,035.72)
Kirksville			
Demand	(\$52,653.03)	(\$52,668.13)	(\$15.10)
Commodity (Regular)	\$15,229.34	\$14,443.85	(\$785.49)

A positive ACA balance indicates an under-collection that must be recovered from customers. A negative ACA balance indicates an over-recovery that must be returned to customers.

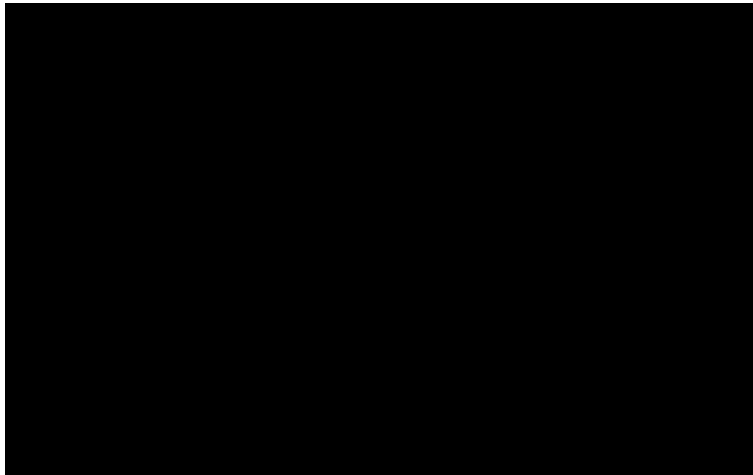
III. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As a regulated gas corporation providing natural gas services to Missouri customers, a local distribution company (“LDC”), such as Liberty Midstates, is responsible for conducting reasonable long-range supply planning and implementing the decisions resulting from that planning. A purpose of the ACA process is to review whether the LDC’s planning for gas supply, transportation, and storage meets its customers’ needs. For this analysis, Staff reviewed Liberty Midstates’ plans and decisions regarding estimated peak day requirements and the capacity levels to meet those requirements, peak day reserve margin and the rationale for this margin, and natural gas plans for various conditions.

Reserve Margin

In its recommendations in prior ACA cases, Staff noted issues related to reserve margin in certain service areas. Reserve margin is calculated by subtracting the supply demand from the contracted supply capacity and then dividing that value by the supply demand. The current and previous year's reserve margins calculated by Liberty Midstates are included in the table below.

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The calculated reserve margin for each of the regions are within the range that Staff considers to be reasonable. **



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Staff recommends that Liberty Midstates continue to monitor and address transportation needs for its various service areas. Staff has no proposed financial adjustments for the 2023-2024 ACA period related to reliability analysis and gas supply planning.

IV. HEDGING

A few definitions that may assist the hedging discussion are as follows. A “swap” is an instrument that fixes the price of gas for a certain volume of gas. Therefore, the price is no longer “variable” as with an index-based contract, but is fixed. A “call option” is a financial instrument that gives the buyer the right but not the obligation to buy gas at a certain preset fixed price. That fixed price is often higher than the current market, and essentially provides a

cap on the gas price, albeit at the price of paying a premium. A “physical hedge” is a feature of using an actual gas supply contract to limit exposure to price increases rather than using financial instruments (swaps, futures, calls) that offset the price risk independently and separately from the gas supply itself.

** [REDACTED]

[REDACTED]

Staff reviews the prudence of a company’s hedging decision-making based on what the company reasonably knew, or reasonably could have known, at the time it made its hedging decisions. Part of a company’s hedging planning should be flexible, in part, to incorporate changing market circumstances in order to balance the cost of hedging against the goal of price stabilization, and thus to achieve a cost effective hedging outcome. For example, a company should continue to evaluate whether utilization of swaps and the volumes associated with them are appropriate when the market prices become less volatile. Staff noted that Liberty Midstates has improved its hedge planning practices with its consideration of additional financial instruments in addition to swaps.³

² Liberty Midstates received hedging advice for its financial hedging transactions from a consulting firm during this ACA period.

³ ** [REDACTED] **

Staff recommends the Company continually monitor and be aware of any significant changes in natural gas supply and demand fundamentals over time.

Staff also recommends the Company continue to assess and document the effectiveness of its hedges for the 2024-2025 ACA and beyond. The analysis should include, 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. Additionally, Staff recommends the Company evaluate whether the hedging plan for each of the four systems has operational implications for warm and cold weather conditions. Finally, Staff recommends the Company continue to monitor the market movements diligently, employ *disciplined* (triggered primarily by the passage of time) as well as *discretionary* (hedge decisions influenced by the Company's view of favorable pricing environments) approaches in its hedging practices, and look into the possibility of expanding its gas portfolio to include physical as well as financial hedges, in addition to storage, that more closely track physical price risk. An example of a physical hedge would be a fixed price gas supply contract.

The following table provides a summary, by service area, of how much gas was hedged as a percentage of normal required winter volumes:

	Hedged % of Normal
Kirksville	** [REDACTED] **
WEMO	** [REDACTED] **
SEMO	** [REDACTED] **
NEMO	** [REDACTED] **
** [REDACTED] **	** [REDACTED] **

There is no financial adjustment related to hedging other than the reallocation of hedging gains and losses as noted in Section II. Billed Revenue and Actual Gas Costs.

V. RECOMMENDATIONS

Staff recommends that the Commission issue an order requiring Liberty Midstates to:

1. Incorporate the (over)/under-recovered ending ACA balances in Staff's Proposed Balances 8/31/24 column of the following table:

August 31, 2024 Ending ACA Balances				
WEMO		Reported	Adjustments	Staff Recommended
Regular ACA Commodity	\$	(1,553,585.14)	\$ 77,495.73	\$ (1,476,089.41)
Regular ACA Demand	\$	76,660.96	\$ 194.58	\$ 76,855.54
Storm Uri ACA	\$	1,373,547.47	\$ (64,295.50)	\$ 1,309,251.97
Total ACA	\$	(103,376.71)	\$ 13,394.81	\$ (89,981.90)
SEMO				
Regular ACA Commodity *	\$	(2,155,366.57)	\$ (18,386.40)	\$ (2,173,752.97)
Regular ACA Demand	\$	(605,212.37)	\$ (16,681.07)	\$ (621,893.44)
Storm Uri ACA *	\$	-	\$ -	\$ -
Total ACA	\$	(2,760,578.94)	\$ (35,067.47)	\$ (2,795,646.41)
NEMO				
Regular ACA Commodity	\$	(1,536,224.75)	\$ 33,674.49	\$ (1,502,550.26)
Regular ACA Demand	\$	(2,513,625.60)	\$ 456.00	\$ (2,513,169.60)
Storm Uri ACA	\$	120,927.98	\$ (33,309.74)	\$ 87,618.24
Total ACA	\$	(3,928,922.37)	\$ 820.75	\$ (3,928,101.62)
Kirksville				
Regular ACA Commodity	\$	(350,192.86)	\$ (12,514.45)	\$ (362,707.31)
Regular ACA Demand	\$	(285,880.82)	\$ (240.75)	\$ (286,121.57)
Total ACA	\$	(636,073.68)	\$ (12,755.20)	\$ (648,828.88)

A positive ACA balance indicates an under-collection that must be recovered from customers. A negative ACA balance indicates an over-recovery that must be returned to customers.

2. Respond to all Staff recommendations in Section II, Actual Gas Costs; Section III Reliability Analysis and Gas Supply; and Section IV, Hedging within 30 days

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Liberty Utilities (Midstates) **Case No. GR-2025-0138**
Natural Gas) Corp d/b/a Liberty's)
Purchased Gas Adjustment Tariff Filing)

AFFIDAVIT OF DAVID T. BUTTIG, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DAVID T. BUTTIG, PE and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation*, in Memorandum form; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

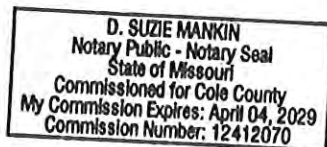
Further the Affiant sayeth not.

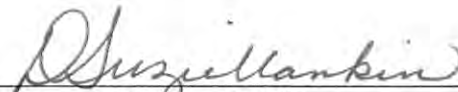


DAVID T. BUTTIG, PE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8th day of December 2025.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Liberty Utilities (Midstates) **Case No. GR-2025-0138**
Natural Gas) Corp d/b/a Liberty's)
Purchased Gas Adjustment Tariff Filing)

AFFIDAVIT OF KWANG Y. CHOE, PhD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW KWANG Y. CHOE, PhD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation*, in Memorandum form; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

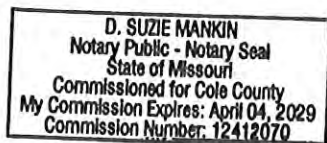
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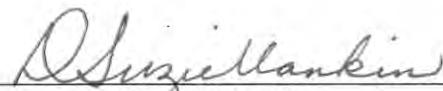


KWANG Y. CHOE, PhD

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8th day of December 2025.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Liberty Utilities (Midstates) **Case No. GR-2025-0138**
Natural Gas) Corp d/b/a Liberty's)
Purchased Gas Adjustment Tariff Filing)

AFFIDAVIT OF LISA SCHLUP

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW LISA SCHLUP and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation*, in Memorandum form; and that the same is true and correct according to her best knowledge and belief, under penalty of perjury.

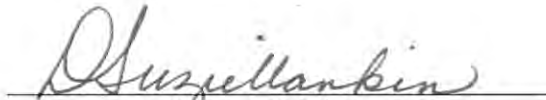
Further the Affiant sayeth not.


LISA SCHLUP

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9th day of December 2025.




Notary Public