



Liberty UtilitiesSM

April 10, 2013

RE: ICC Citation Order, Docket No. 12-0655

Illinois Commerce Commission
Ms. Elizabeth A. Rolando, Chief Clerk
State Office Building
527 East Capitol Avenue
P.O. Box 19280
Springfield, IL 62794-9280

Dear Ms. Rolando,

Pursuant to the Commission's Citation Order in Docket No. 12-0655, Liberty Energy (Midstates) Corp. d/b/a Liberty Utilities herewith submits for filing the computation of the 2012 Annual Reconciliation, along with the certification by the Company's independent public accountants. The filing includes prepared direct testimony, schedules and exhibits. The company has filed by e-Docket on this date, the above information.

Please stamp and return a copy at your earliest convenience.

Sincerely,

Victor W. Edwards
Director, Regulatory and Government Affairs
573-755-0100

Enclosures

Report of Independent Auditors

The Board of Directors
Liberty Energy (Midstates) Corporation

Report on Annual Reconciliation

We have audited the accompanying 2012 Annual Reconciliation – Illinois of Liberty Energy (Midstates) Corporation for the year ended December 31, 2012.

Management's Responsibility for the Annual Reconciliation

Management is responsible for the preparation and fair presentation of the 2012 Annual Reconciliation – Illinois. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 2012 Annual Reconciliation – Illinois based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 2012 Annual Reconciliation – Illinois is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the 2012 Annual Reconciliation -- Illinois. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the schedule.

The method of calculating the costs recoverable through the gas charges during the reconciliation year as adjusted by Factor A and Factor O, and the revenues arising through the application of the gas charges to applicable terms during the reconciliation year is prescribed by Section 525.70 of the Illinois Commerce Commission

Administrative Code. The results of the calculation by this method are materially different than those that would be shown in a presentation based on amounts stated in conformity with accounting principles generally accepted in the United States of America.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the 2012 Annual Reconciliation – Illinois for the year ended December 31, 2012 on the basis of the requirement referred to in the preceding paragraph.

This report is intended for the information and use of Liberty Energy (Midstates) Corporation and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Baer : Edington LLC

Baer & Edington LLC
Certified Public Accountants and Consultants
April 9, 2013

LIBERTY ENERGY (MIDSTATES) CORPORATION
ANNUAL RECONCILIATION
ILLINOIS
DOCKET NO. 12-0655
2012

Exhibit I
Page 1 of 3

1. Unamortized Balance as of December 31, 2011 Reconciliation	(\$867,141.09)
2. Factor A Adjustments Amortized to Schedule I at December 31, 2011 per 2011 Reconciliation	(134,291.64)
3. Factor O Collected/(Refunded) During 2012	0.00
4. Balance to be Collected/(Refunded) During 2012 from prior periods	(1,001,432.73)
5. 2012 Recoverable Costs	8,938,024.90
6. 2012 PGA Revenues	(7,577,080.44)
7. 2012 Pipeline Surcharges/(Refunds)	0.00
8. Other Adjustments	0.00
9. Interest	0.00
10. 2012 Under/(Over)-Recovery	1,360,944.46
11. Under/(Over)-Recovery Balance at December 31, 2012	359,511.73
12. Factor A Adjustments Amortized to Schedule I at December 31, 2012	103,548.73
13. Unamortized Balance at December 31, 2012	<u>207,097.47</u>
14. Requested Factor O	\$48,865.53

LIBERTY ENERGY (MIDSTATES) CORPORATION
2012 ANNUAL RECONCILIATION
ILLINOIS

<u>Line</u>	<u>Description</u> (a)	<u>January</u> (b)	<u>February</u> (c)	<u>March</u> (d)	<u>April</u> (e)	<u>May</u> (f)	<u>June</u> (g)	<u>Subtotal</u> (h)	<u>Line</u>
1	<u>Gas Cost Recoverable through Gas Charge</u>								1
2	Total Invoice Cost	\$1,344,687.51	\$892,415.76	\$472,237.86	\$380,916.02	\$380,135.09	\$399,699.39	\$3,870,091.63	2
3									3
4	Add: Storage Withdrawals	574,350.07	618,232.32	637,249.15	54,346.72	372.40	20,221.48	1,904,772.14	4
5	Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5
6	LP Gas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6
7	Less: Storage Injections	(16,299.69)	1,144.06	(317,329.51)	(54,753.61)	(119,086.82)	(124,393.78)	(630,719.35)	7
8									8
9	Company Use	<u>(12,852.07)</u>	<u>(11,158.65)</u>	<u>(7,727.36)</u>	<u>(1,747.51)</u>	<u>(1,001.14)</u>	<u>(692.17)</u>	<u>(35,178.90)</u>	9
10	Total Recoverable Gas Cost	\$1,889,885.82	\$1,500,633.49	\$784,430.14	\$378,761.62	\$260,419.53	\$294,834.92	\$5,108,965.52	10
11									11
12	<u>Gas Cost Recovered</u>								12
13	Purchased Gas Adjustment	(\$2,242,340.71)	(\$1,634,660.61)	(\$823,640.22)	(\$253,834.12)	(\$185,603.61)	(\$137,811.85)	(\$5,277,891.12)	13
14									14
15	Unbilled Gas Cost Prior Month	1,040,347.00	512,015.00	476,572.00	109,195.00	125,533.00	63,741.00	2,327,403.00	15
16	Unbilled Gas Cost Current Month	<u>(512,015.00)</u>	<u>(476,572.00)</u>	<u>(109,195.00)</u>	<u>(125,533.00)</u>	<u>(63,741.00)</u>	<u>(62,001.00)</u>	<u>(1,349,057.00)</u>	16
17									17
18	Under/(Over) Recovery	\$175,877.11	(\$98,584.12)	\$328,166.92	\$108,589.50	\$136,607.92	\$158,763.07	\$809,420.40	18

LIBERTY ENERGY (MIDSTATES) CORPORATION
2012 ANNUAL RECONCILIATION
ILLINOIS

<u>Line</u>	<u>Description</u> (a)	<u>July</u> (b)	<u>August</u> (c)	<u>September</u> (d)	<u>October</u> (e)	<u>November</u> (f)	<u>December</u> (g)	<u>Total</u> (h)	<u>Line</u>
1	<u>Gas Cost Recoverable through Gas Charge</u>								1
2	Total Invoice Cost	\$454,903.95	\$487,579.42	\$498,710.33	\$781,004.98	\$845,258.50	\$1,096,789.14	\$8,034,337.95	2
3									3
4	Add: Storage Withdrawals	16,638.07	23,503.80	6,661.12	15,251.38	51,826.04	379,032.00	2,397,684.55	4
5	Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5
6	LP Gas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6
7	Less: Storage Injections	(176,710.93)	(171,483.03)	(166,671.17)	(235,761.85)	(36,584.51)	(34,523.00)	(1,452,453.84)	7
8									8
9	Company Use	<u>(247.98)</u>	<u>(635.91)</u>	<u>(577.06)</u>	<u>(635.91)</u>	<u>(1,481.00)</u>	<u>(2,787.00)</u>	<u>(41,543.76)</u>	9
10	Total Recoverable Gas Cost	\$294,583.11	\$338,964.28	\$338,123.22	\$559,858.60	\$859,019.03	\$1,438,511.14	\$8,938,024.90	10
11									11
12	<u>Gas Cost Recovered</u>								12
13	Purchased Gas Adjustment	(\$146,886.86)	(\$169,731.89)	(\$221,801.37)	(\$393,249.00)	(\$881,960.85)	(\$1,365,016.35)	(\$8,456,537.44)	13
14									14
15	Unbilled Gas Cost Prior Month	62,001.00	59,910.00	66,727.00	92,224.00	285,053.00	326,701.00	3,220,019.00	15
16	Unbilled Gas Cost Current Month	<u>(59,910.00)</u>	<u>(66,727.00)</u>	<u>(92,224.00)</u>	<u>(285,053.00)</u>	<u>(326,701.00)</u>	<u>(160,890.00)</u>	<u>(2,340,562.00)</u>	16
17									17
18	Under/(Over) Recovery	\$149,787.25	\$162,415.39	\$90,824.85	(\$26,219.40)	(\$64,589.82)	\$239,305.79	\$1,360,944.46	18

I.C.C. DOCKET NO. 12-0655
TESTIMONY OF VICTOR W. EDWARDS
LIBERTY ENERGY (MIDSTATES) CORP.
d/b/a LIBERTY UTILITIES

1 **Q. Would you please state your name, responsibility, and business address?**

2 A. Victor W. Edwards, Director of Regulatory and Government Affairs, Liberty
3 Energy (Midstates) Corp. d/b/a Liberty Utilities (Liberty, the Company), 2370
4 N. High St. STE 1, Jackson, Missouri 63755.

5 **Q. Please briefly summarize your educational background and experience within**
6 **the natural gas industry.**

7 A. I have a Bachelor of Science degree in Business Administration, with a major in
8 Accounting from Auburn University in Montgomery. I have worked in the
9 regulatory field since 1993, three years working in the telecommunications
10 industry, 16 years in total with Atmos Energy Corporation and since August,
11 2012, with Liberty as the Director of Regulatory and Government Affairs. Among
12 other responsibilities, my current position includes oversight of gas cost recovery
13 for the Company's utility operations in three states: Illinois, Missouri and Iowa.

14 **Q. Have you testified before this Commission?**

15 Yes, I have testified before this Commission in ICC Docket No. 04-0672,
16 05-0738, 06-0741, 07-0567, 08-0622, 09-0536, 10-0683 and 11-0758.

17 **Q. Please state the purpose of your testimony in the proceeding.**

18 A. The purpose of my testimony is to present the evidence required by the
19 Commission's Citation Order dated December 5, 2012. The evidence required
20 consists of: 1) the reconciliation of revenues billed under the PGA clause with the

1 actual cost of gas obtained during the 2012 reconciliation year; 2) the prudence of
2 the gas supply purchases during the reconciliation year; and 3) a description of the
3 measures taken to insulate the PGA from price volatility in the wholesale natural
4 gas market.

5 **Q. Please provide a general background of Liberty’s Illinois operations before**
6 **presenting the required evidence.**

7 A. Liberty provides natural gas service to five zones in Illinois: Virden, Vandalia,
8 Harrisburg, Metropolis, and Salem. The gas supply for these service areas is
9 received through separate interstate pipelines: Panhandle Eastern Pipe Line
10 Company, Natural Gas Pipeline Company of America, Texas Eastern
11 Transmission Corporation, Trunkline Gas Company, and Mississippi River
12 Transmission Corporation. In accordance with the Company’s tariff, only one
13 state-wide reconciliation is submitted for the 2012 reconciliation year.

14 **Q. What evidence are you presenting to show the reconciliation of revenues**
15 **under the PGA clause with the actual cost of gas supplies obtained during the**
16 **2012 reconciliation year?**

17 A. Page 1 of the Exhibit reflects the minimum filing requirements set forth in the
18 Citation Order. Pages 2 and 3 of the Exhibit consist of three sections: Gas costs
19 recoverable through the PGA clause, titled “Gas Cost Recoverable through Gas
20 Charge”; revenues billed under the PGA clause, titled “Gas Cost Recovered” and
21 the net reconciliation balance. The “Gas Cost Recoverable through Gas Charge”
22 consists of all invoiced gas cost (commodity cost and, where applicable, contract
23 demand cost, storage demand cost, and transportation charges on spot market gas),
24 plus the commodity cost of gas withdrawn from storage at the applicable, First-in,

1 First-out (FIFO) inventory rate, plus the interest of any unamortized balance of
2 Factor A on Schedule II in the Company's monthly PGA filings, less the
3 commodity cost of gas injected into storage at the applicable (FIFO) inventory
4 rate, less the cost of gas used by the Company at the system average cost of gas
5 during the month of usage. Exhibit I reflects the totals of all the Illinois service
6 areas, with the 2012 total recoverable gas costs of \$8,938,024.90 and the 2012
7 total gas cost recoveries of \$7,577,080.44, leaving the net amount of
8 \$1,360,944.46 for under recoveries in 2012.

9 **Q. Is Liberty requesting any Factor O adjustments?**

10 A. Yes. Liberty is requesting a Factor O adjustment of \$48,865.53 which is the
11 remaining under-recovery after the calculation on Exhibit I.

12 **Q. Please explain the method utilized to purchase gas for Liberty' Illinois service**
13 **areas.**

14 The Company has contracts with five interstate pipelines. Those interstate
15 pipelines and the Liberty' operating areas served are: Panhandle Eastern Pipeline
16 Company (Panhandle) serving Virden; Natural Gas Pipeline Company of America
17 (Natural) serving Vandalia, Salem and Altamont; Trunkline Gas Company
18 (Trunkline) serving Metropolis, Salem and Virden; and Mississippi River
19 Transmission Corporation (MRT) serving Salem; and Texas Eastern Transmission
20 (TETCO) serving Harrisburg and Galatia. All of the contracts are transportation
21 and/or storage contracts, and Liberty is responsible for the acquisition of the gas
22 supply from whatever source it chooses. The Company moves gas through
23 Natural, MRT, and TETCO under a demand/commodity transportation rate
24 schedule. The gas moved through Trunkline and Panhandle is under a one-part

1 transportation rate schedule. All of the service areas have purchased storage
2 services. The acquisition of the actual gas varies by service area. All of the
3 contracts are based on market sensitive industry indices for the reconciliation
4 period. In addition, the Company entered into NYMEX financial swap contracts
5 on approximately 37% of expected normal winter requirements net of storage
6 withdrawals for the January 2012 through March 2012 period in order to mitigate
7 any impact of possible natural gas price spikes in the PGA rates to customers. The
8 Company entered into NYMEX financial swap contracts on approximately 34% of
9 expected normal winter requirements net of storage withdrawals for the months of
10 November 2012 and December 2012.

11 **Q. How does the bidding process work?**

12 A. The Company solicits bids from suppliers and marketers. During the first half of
13 calendar year 2012, Atmos Energy Corporation (“Atmos”) RFPs were posted on
14 Atmos’ RFP website. During the latter half of calendar year 2012 (and continuing
15 through March 2013) Atmos, as Agent on behalf of Liberty, issued Liberty RFPs
16 on Atmos’ website. The website generates email notifications to suppliers who
17 have registered as users on the website. The request for bids contains information
18 such as quantity of gas, the serving pipeline, and length of contract. During the
19 first half of calendar year 2012 Atmos’ affiliate AEM did not participate in the
20 RFPs. If the affiliate had participated, a set of Affiliate Rules established in June
21 2003 would apply which outline the elements for compliance. Liberty does not
22 have a marketing affiliate. After bids are received, the Company evaluates those
23 bids by taking into consideration a number of factors including the
24 supplier/marketer’s experience, reliability of supply, and price. The Company

1 must have assurance of the bidder's experience and reliability of supply before
2 awarding a contract. If several bidders meet these criteria, the bidder with the
3 lowest price is chosen.

4 **Q. Please describe the measures taken by the Company to insulate the PGA from**
5 **price volatility.**

6 A. The Company uses a portfolio like approach to insulate the PGA from price
7 volatility consisting of NYMEX financial swap contracts, physical storage
8 withdrawals, and market purchases. The Company utilized the first component of
9 the portfolio, NYMEX financial swap contracts, to hedge approximately 38% of
10 the normal winter requirements net of storage withdrawals for the period January
11 2012 through March 2012 and 34% of the expected normal winter requirements
12 net of storage for the November 2012 and December 2012 periods. Storage, the
13 second component of the portfolio, supplied approximately 38% of the actual
14 winter requirements for the January 2012 to March 2012 period and 25% for the
15 November 2012 to December 2012 period. The remaining volumes were
16 purchased at the spot market price.

17 **Q. Is it your opinion that the Company is engaging in prudent gas purchasing**
18 **decisions?**

19 A. Yes.

20 **Q. Does this conclude your testimony at this time?**

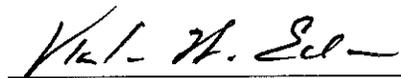
21 A. Yes

STATE OF MISSOURI

COUNTY OF CAPE GIRARDEAU

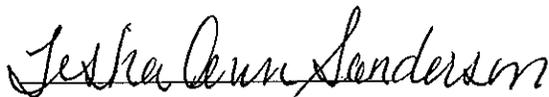
AFFIDAVIT

Victor W. Edwards, being first duly sworn, deposes and says that he is Victor W. Edwards referred to in the document entitled "Testimony of Victor W. Edwards" in Docket No. 12-0655 before the Illinois Commerce Commission, is the Director of Regulatory and Government Affairs for Liberty Energy (Midstates) Corp., is authorized to execute this affidavit on behalf of Liberty Energy (Midstates) Corp. and that the statements within and the attached schedules for the enclosed 2012 Annual Reconciliation, were prepared by him or under his direction and are true to the best of his information, knowledge, and belief.

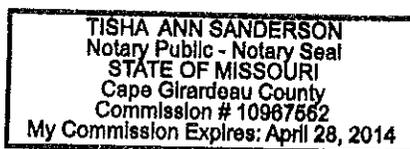


Victor W. Edwards

SUBSCRIBED AND SWORN to before me this 10th day of April, 2013



NOTARY PUBLIC



My Commission Expires: 4-28-14