

DIRECT TESTIMONY

of

MIKE OSTRANDER

ACCOUNTANT

Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Verified Petition pursuant to Section 7-101 for authority to enter into an Affiliate  
Services Agreement

Liberty Utilities (Midstates Natural Gas) Corp.  
d/b/a Liberty Utilities

Docket No. 14-0269

February 11, 2015

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1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Mike Ostrander. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am an Accountant in the Accounting Department of the Financial  
7 Analysis Division of the Illinois Commerce Commission (“ICC” or  
8 “Commission”).

9 **Q. Please describe your background and professional affiliations.**

10 A. I received a Bachelor of Business Administration in Accounting from the  
11 University of Notre Dame. I am a Certified Public Accountant and a  
12 Certified Internal Auditor. I joined the Commission Staff (“Staff”) in March  
13 2006. Prior to joining the Commission, I was employed for three years as  
14 a Staff Accountant in public accounting, seventeen years in private  
15 industry with positions ranging from Accounting Manager to Corporate  
16 Officer encompassing all areas of accounting and internal auditing, and  
17 three years as Controller of a law firm and software company.

18 **Q. Have you previously testified before this Commission?**

19 A. Yes, I have testified before the Commission on several occasions.

20

21 **Purpose of Testimony**

22 **Q. What is the purpose of your testimony in this proceeding?**

23 A. The purpose of my testimony is to present my position on the petition filed  
24 by Liberty Utilities (Midstates Natural Gas) Corp. (“Liberty Midstates” or  
25 “Company”) pursuant to Section 7-101 of the Public Utilities Act (“Act”)  
26 seeking approval to amend three of the four Affiliate Service Agreements  
27 (“ASAs”) previously approved by the Commission in Docket No. 11-0559,  
28 terminate one of the four ASAs approved by the Commission in Docket  
29 No. 11-0559, and approve a new ASA.

30

31 **Affiliate Service Agreements**

32 **Q. Please describe the four ASAs that are currently in effect.**

33 A. The Company’s four existing ASAs approved in Docket No. 11-0559 are  
34 with the following entities and for the stated purposes:

- 35 • Algonquin Power & Utilities Corp. (“APUC”) provides administrative  
36 services to Liberty Midstates;
- 37 • Liberty Utilities (Canada) Corp. (“LUC”) provides accounting,  
38 information technology, human resources, customer service and  
39 utility planning services and other services to Liberty Midstates;
- 40 • Liberty Utilities Co. (“LUCo”) provides financing services to Liberty  
41 Midstates; and

- 42           • Liberty Energy Utilities (New Hampshire) Corp. (“Liberty NH”)  
43           provides gas procurement and gas control services to Liberty  
44           Midstates.

45           The Company is requesting that the ASA with Liberty NH be  
46           terminated and that a new ASA be approved with Liberty Utilities  
47           Service Corp. (“LUSC”) for the same services currently provided by  
48           Liberty NH.

49   **Q.    What ASAs is the Company requesting the Commission approve in**  
50   **this proceeding?**

51   A.    The Company is requesting the Commission approve the ASAs sponsored  
52   by Company witness Krygier as set forth below:

- 53           1)    APUC (Company Exhibit 2.3);  
54           2)    LUC (Company Exhibit 2.4);  
55           3)    LUCo (Company Exhibit 2.5); and  
56           4)    LUSC (Company Exhibit 2.6).

57   **Q.    How do the Company’s proposed ASAs differ from the previously**  
58   **approved ASAs?**

59   A.    The primary differences in the proposed ASAs from the existing ASAs are  
60   as follows:

- 61           1.  A new ASA with LUSC will be used to employ all U.S. based  
62           employees;

- 63           2. The Liberty NH ASA will be terminated and due to the proposed  
64           ASA with LUSC, all Liberty NH employees will become LUSC  
65           employees;
- 66           3. The language setting forth the cost allocation methodologies in the  
67           proposed ASAs is more specific; and
- 68           4. The Illinois Rider that is attached to each of the proposed ASAs as  
69           Schedule I has been revised to reflect additional controls and  
70           safeguards.

71   **Q.    Do you have any concerns with the Company's request to modify its**  
72   **ASAs?**

73   A.    No. The proposed ASAs are the result of Company and Staff interaction  
74   to ensure that costs are fairly and reasonably allocated and that such  
75   proposed ASAs will not result in the subsidization of non-utility activities by  
76   ratepayers.

77   **Q.    What is your recommendation regarding the proposed ASAs?**

78   A.    I recommend the Commission approve the proposed ASAs with one  
79   modification. I recommend the deletion of Item 7 of the Illinois Rider  
80   attached to each of the ASAs and a renumbering of the subsequent items.  
81   The triennial cost study listed as Item 7 would not be necessary since the  
82   Company will be required to provide an annual cost allocation template  
83   update in the new ASAs. The work needed to prepare a triennial cost

84 allocation study would be duplicative of the work necessary to prepare the  
85 annual cost allocation template update.

86 In addition, I recommend that the Commission Order in this proceeding  
87 require the executed ASAs to be filed on e-Docket with a copy to the  
88 Manager of Accounting within thirty days of issuance of the Order.

89

90 **Reporting Requirements under the ASAs Approved in Docket No. 11-0559**

91 **Q. The Company has also requested that the reporting requirements**  
92 **included in the ASAs for Docket No. 11-0559 be terminated for**  
93 **charges billed after the termination of the ASAs. Do you agree with**  
94 **the Company's request?**

95 A. I agree with the Company's request that the Order in this proceeding  
96 clarify the disposition of the final reports required by the ASAs approved in  
97 Docket No. 11-0559. I recommend that the Commission include the  
98 following language in its Order:

99 The cost allocation template update for 2015 allocators required  
100 pursuant to Condition 13 of the Required Conditions of Approval in  
101 Docket No. 11-0559 attached as Appendix A of the Order shall be  
102 provided to the ICC's Accounting Department Manager by March  
103 31, 2015. The report submitted by March 31, 2015 would be  
104 considered the final report to be filed pursuant to Condition 13  
105 ordered in Docket No. 11-0559. The cost allocation template update  
106 pursuant to Item 9 of each of the ASAs approved in this  
107 proceeding, Docket No. 14-0269, shall be provided to the ICC's  
108 Accounting Department Manager by the first day of the second  
109 month after issuance of the order in this proceeding.

110 The final internal audit report pursuant to Item 7 of each of the  
111 ASAs approved in Docket No. 11-0559 shall be provided to the  
112 ICC's Accounting Department Manager by March 1, 2016. The  
113 reporting period for the final internal audit report will encompass the  
114 2014 calendar year and the period January 1, 2015 through the  
115 2015 termination date of the ASAs approved in Docket No. 11-  
116 0559.

117 The cost allocation study required pursuant to Item 8 of each of the  
118 ASAs approved in Docket No. 11-0559 is no longer required since  
119 the subject ASAs will be terminated effective with the date of this  
120 Order.

121 The report setting forth the monthly charges billed in calendar year  
122 2014 pursuant to Item 9 of the Illinois Rider of each of the ASAs  
123 approved in Docket No. 11-0559 shall be filed on the ICC's e-  
124 Docket system in Docket No. 11-0559 with a copy to the ICC's  
125 Accounting Department Manager and to the Office of the Chief  
126 Clerk of the ICC by May 1, 2015. The report concerning the  
127 monthly charges billed in 2015 pursuant to the ASAs approved in  
128 Docket No. 11-0559 would be considered the final report to be filed  
129 pursuant to Item 9 of the Illinois Rider attached to each of those  
130 agreements. The final report setting forth the monthly charges billed  
131 in calendar year 2015 pursuant to Item 9 of the Illinois Rider of  
132 each of the ASAs approved in Docket No. 11-0559 shall be filed on  
133 the ICC's e-Docket system in Docket No. 11-0559 with a copy to  
134 the ICC's Accounting Department Manager and to the Office of the  
135 Chief Clerk of the ICC by May 1, 2016.

136

137 **Conclusion**

138 **Q. Please summarize your recommendations.**

139 A. I recommend that the Commission Order in this proceeding:

140 1) Approve the Company's proposed ASAs provided on Company Exhibits  
141 2.3 through 2.6, revised to delete Item 7 of the Illinois Rider and  
142 renumbered accordingly;

143 2) Terminate the ASAs approved in Docket No. 11-0559 and provide the  
144 following language that sets forth the final reporting requirements related  
145 to those ASAs for 2014 and 2015 as follows:

146 The cost allocation template update for 2015 allocators required  
147 pursuant to Condition 13 of the Required Conditions of Approval in  
148 Docket No. 11-0559 attached as Appendix A of the Order shall be  
149 provided to the ICC's Accounting Department Manager by March  
150 31, 2015. The report submitted by March 31, 2015 would be  
151 considered the final report to be filed pursuant to Condition 13  
152 ordered in Docket No. 11-0559. The cost allocation template update  
153 pursuant to Item 9 of each of the ASAs approved in this  
154 proceeding, Docket No. 14-0269, shall be provided to the ICC's  
155 Accounting Department Manager by the first day of the second  
156 month after issuance of the Order in this proceeding.

157 The final internal audit report pursuant to Item 7 of each of the  
158 ASAs approved in Docket No. 11-0559 shall be provided to the  
159 ICC's Accounting Department Manager by March 1, 2016. The  
160 reporting period for the final internal audit report will encompass the  
161 2014 calendar year and the period January 1, 2015 through the  
162 2015 termination date of the ASAs approved in Docket No. 11-  
163 0559.

164 The cost allocation study required pursuant to Item 8 of each of the  
165 ASAs approved in Docket No. 11-0559 is no longer required since  
166 the subject ASAs will be terminated effective with the date of this  
167 Order.

168 The report setting forth the monthly charges billed in calendar year  
169 2014 pursuant to Item 9 of the Illinois Rider of each of the ASAs  
170 approved in Docket No. 11-0559 shall be filed on the ICC's e-  
171 Docket system in Docket No. 11-0559 with a copy to the ICC's  
172 Accounting Department Manager and to the Office of the Chief  
173 Clerk of the ICC by May 1, 2015. The report concerning the  
174 monthly charges billed in 2015 pursuant to the ASAs approved in  
175 Docket No. 11-0559 would be considered the final report to be filed  
176 pursuant to Item 9 of the Illinois Rider attached to each of those  
177 agreements. The final report setting forth the monthly charges billed  
178 in calendar year 2015 pursuant to Item 9 of the Illinois Rider of  
179 each of the ASAs approved in Docket No. 11-0559 shall be filed on  
180 the ICC's e-Docket system in Docket No. 11-0559 with a copy to

181 the ICC's Accounting Department Manager and to the Office of the  
182 Chief Clerk of the ICC by May 1, 2016.

183 3) Require the executed ASAs be filed on e-Docket with a copy to the  
184 Manager of Accounting within thirty days of the issuance of the Order in  
185 this proceeding.

186 **Q. Does this question end your prepared direct testimony?**

187 **A. Yes.**