

**STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD**

IN RE:	:	DOCKET NO.	RPU-2016-0003
	:		TF-2016-0303
LIBERTY UTILITIES (MIDSTATES	:		TF-2016-0304
NATURAL GAS) CORP. D/B/A	:		TF-2016-0305
LIBERTY UTILITIES	:		TF-2016-0306

STIPULATION AND AGREEMENT

Dated February 17, 2017

Article I – Introduction

On July 25, 2016, Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (“Liberty Midstates”) filed with the Iowa Utilities Board (the “Board”) proposed natural gas tariffs, identified as TF-2016-0303, TF-2016-0304, TF-2016-0305, and TF-2016-0306. Together with the tariffs, Liberty Midstates filed direct testimony and exhibits in support of the rate increase set forth in the tariffs. In TF-2016-0303, Liberty Midstates proposed a temporary annual increase in its Iowa natural gas revenue of approximately \$500,000. Pursuant to Iowa Code § 476.6(1), Liberty Midstates implemented its proposed temporary rates ten days after its July 25, 2016 filing. In TF-2016-0304, TF-2016-0305, and TF-2016-0306, Liberty Midstates proposed a permanent annual increase of approximately \$1 million. This settlement agreement (“Settlement Agreement” or “Agreement”) is being filed with the Board pursuant to Iowa Code § 17A.12(5) and 199 IAC § 7.18.

Article II – Purpose

This Settlement Agreement has been prepared and executed by Liberty Midstates, the Office of Consumer Advocate, Roquette America, Inc., and the City of Keokuk (hereinafter

referred to collectively as “Parties” or individually as a “Party”), for the purpose of settling on a mutually-acceptable outcome of the issues in this case (the “Settled Issues”), and is applicable only to Docket No. RPU-2016-0003. The Parties have entered into this Agreement solely in order to avoid the burden, expense, delays, and uncertainties of further litigation with respect to the settled issues. This Agreement has been executed as a compromise settlement of disputed claims, and the execution of the Agreement does not constitute admission or concession on the merits of those claims on the part of any Party.

Article III – Joint Motion

Upon execution of this Agreement, the Parties will file this Agreement with the Board, together with a joint motion requesting that the Board issue any order approving the Settlement Agreement in its entirety without condition or modification, unless otherwise agreed to by the Parties. If the Board modifies and/or changes this Agreement in an manner, and such modifications and/or changes are not explicitly accepted and agreed to by the Parties, this Settlement Agreement will not become effective, but will be considered null, void, and privileged.

Article IV – Privilege and Limitation

This Settlement Agreement will become binding upon the Parties upon its execution; provided however, that if this Settlement Agreement does not become effective in accordance with Article III above, it will be null, void, and privileged. This Settlement Agreement represents a settlement on a mutually-agreeable outcome without resolution of specific issues of law or fact that were raised by the Parties. This Settlement Agreement is intended to relate only to the specific matters referred to herein. No Party waives any claim or right that it may otherwise have with respect to any matter not expressly provided for herein. No Party will be

deemed to have approved, accepted, agreed, or consented to any ratemaking principle or treatment, any method of cost-of-service, cost-of-capital, or capital structure determination, or any method of cost allocation underlying the provisions of this Settlement Agreement (or the attachments thereto), or be prejudiced or bound thereby in any other current or future proceeding before the Board. No Party will directly or indirectly refer as precedent to the Settlement Agreement, or to that part of any Board order referring to the Settlement Agreement, in any current or future proceeding before the Board.

Article V – Time Period

For settlement purposes, the Parties agree that the justness and reasonableness of rates in this case is to be determined on the basis of a representative pro forma annual revenue requirement determined on the basis of a test period ending December 31, 2015, as adjusted.

Article VI – Rate Base

For settlement purposes, the Parties agree that the rate base to be used to calculate Liberty Midstates' annual revenue requirement in this case will be \$6,810,969 as set forth in the attached Schedule 2. *See also*, OCA Data Request No. 45 attached hereto as Exhibit 1, and the following testimony filed in this case:

Liberty Midstates

Jill Schwartz

Direct Testimony, pp. 4-9

Rebuttal Testimony, pp. 9-10

OCA

Fasil Kebede

Direct Testimony, pp. 15-20

Rebuttal Testimony, pp. 2-3

Article VII – Revenue Requirement

For settlement purposes, the Parties agree that the total annual revenue requirement in this case will be \$2,999,772, as set forth in Schedule 1. *See also*, the following testimony filed in this case:

Liberty Midstates

Jill Schwartz

Direct Testimony, pp. 3-4, 10-14

Rebuttal Testimony, pp. 9-10

OCA

Fasil Kebede

Direct Testimony, pp. 15-20

Rebuttal Testimony, pp. 2-3

Article VIII – Capital Structure

For settlement purposes, the Parties agree that the Liberty Midstates' capital structure for purposes of determining Liberty Midstates' weighted average cost of capital shall be 50% equity and 50% debt, as set forth on the attached Schedule 4. *See also*, the following testimony filed in this case:

Liberty Midstates

Keith Magee

Direct Testimony, pp. 51-56

Rebuttal Testimony, pp. 10-42

OCA

Marcos Munoz

Direct Testimony, pp. 23-30

Article IX – Return on Equity

For settlement purposes, the Parties agree that the return on equity will be 9.5%, as set forth on the attached Schedule 4. Such percent is a reasonable estimate of Liberty Midstates' cost of common equity reflecting a compromise based on evidence presented by the parties in their pre-filed testimony. *See also*, the following testimony filed in this case:

Liberty Midstates

Keith Magee

Direct Testimony, pp. 6-51

Rebuttal Testimony, pp. 42-47

OCA

Marcos Munoz

Direct Testimony, pp. 4-23, 30-38

Article X – Depreciation Rates

The Parties agree that depreciation rates to be used by Liberty Midstates shall be those set forth on Schedule 6 attached to this Settlement Agreement. *See also*, the following testimony filed in this case:

Liberty Midstates

Dane Watson

Direct Testimony, pp. 4-32

Watson Direct Exhibit DAW-2

Article XI – Just and Reasonable Rate Case Expenses

The Schedules attached hereto do not reflect any rate case expense associated with this matter, because Liberty Midstates' rate case expense, and that incurred by the Board and OCA, will not be known until this case has concluded. However, the Parties agree that *in addition* to the revenue requirement set forth in Article VIII above, Liberty Midstates will be permitted to recover in rates its just and reasonable rate case expense as approved by the Board in this case. The Parties reserve all rights related to the amount of rate case expense as provided in Iowa Code 476.6 and 199 IAC 26.4. The Parties agree that the Board-approved rate case expenses will be amortized over a seven-year period and any remaining balance of Liberty Midstates' rate case expense still outstanding at the time Liberty Midstates files its next rate case proceeding will be recovered in such rate case proceeding. *See also*, the following testimony filed in this case:

Liberty Midstates

Jill Schwartz

Direct Testimony, pp. 14

Rebuttal Testimony, pp. 12-13

OCA

Fasil Kebede

Direct Testimony, pp. 10-11

Article XII – Timeliness of Approval

In entering into this Settlement Agreement, the Parties have contemplated that this Settlement will be approved by the Board as expeditiously as reasonably possible.

Article XIII – Rate Design

The Parties have agreed to the rate design proposed by Liberty Midstates with the following modifications:

a. 25% of the industrial customers' load will be included in the design day calculations.

b. The fixed charge for customers is as follows:

- i. Residential -- \$16.00
- ii. Small Commercial - \$30.00
- iii. Medium Commercial -- \$50.00
- iv. Large Industrial -- \$1400.00

See also, the following testimony and other documents filed in this case:

Liberty Midstates

Timothy Lyons

Direct Testimony, pp. 10-29

Rebuttal Testimony, pp. 4-22

OCA

Frank Bodine

Direct Testimony, pp. 3-15

OCA Data Request No. 44 Attachment C (Liberty Cost of Service Study allocating 25% of the design day demand to the industrial customers) attached hereto as Exhibit 2.

c. This Settlement shall not affect the rates paid by large industrial customers currently under contract with Liberty Midstates.

Article XIV—Execution

To facilitate and expedite execution, this Stipulation and Agreement may be executed by the Parties in multiple conformed copies which, when the original signature pages are consolidated into a single document, shall constitute a fully-executed document binding upon all the Parties. The facsimile signatures of the Parties shall be deemed to constitute original signatures, and facsimile copies hereof shall be deemed to constitute duplicate originals.

Article XV – Modification and Amendment

This Stipulation and Amendment shall not be amended or modified except by an instrument in writing signed by all Parties.

Article XVI – Binding Nature

This Stipulation and Agreement shall be binding on the Parties. Except as provided in Article XV, the Parties shall take no actions directly or indirectly to eliminate or otherwise limit or expand the scope or effect of this Stipulation and Agreement throughout its term.

Article XVII – Further Assurances

The Parties agree to cooperate in order to effectuate the full and complete intent of the Parties as expressed in this Stipulation and Agreement.

Article XVIII – Entire Agreement

This Stipulation and Agreement contains the entire agreement between the Parties. There are no additional terms, whether consistent or inconsistent, oral or written, that have not been incorporated into this Stipulation and Agreement.

OFFICE OF CONSUMER ADVOCATE

/s/ Mark R. Schuling

Mark R. Schuling

Consumer Advocate

By: /s/ Anna K. Ryon

**ATTORNEY FOR OFFICE
OF CONSUMER ADVOCATE**

CITY OF KEOKUK, IOWA

By /s/ Douglas S. Dorando

ATTORNEY FOR CITY OF KEOKUK

**LIBERTY UTILITIES (MIDSTATES
NATURAL GAS) CORP. d/b/a
LIBERTY UTILITIES**

/s/ Rachel T Rowley

Rachel T Rowley

Sheila K. Tipton

**ATTORNEYS FOR LIBERTY
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GAS) CORP. d/b/a LIBERTY
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ROQUETTE AMERICA, INC.

By /s/ Richard W. Lozier

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