



October 24, 2007

Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
200 Madison St  
Jefferson City, MO 65102

RE: GR-xxxx-xxxx

Included is the electronic copy of PSC MO. No. 2, 1st Revised Sheet No. 62, 1st Revised Sheet No. 63 and 1st Revised Sheet No. 65 reflecting a change in the Purchased Gas Adjustment, Actual Cost Adjustment and Refund Factor of The Empire District Gas Company ("EDG") Purchased Gas Adjustment Clause.

The EDG Purchased Gas Adjustment Clause requires an annual actual cost adjustment for the over recovery or under recovery resulting from the operation of the Regular Purchased Gas Adjustment section of the Purchased Gas Adjustment Clause, a calculation of the Annual Purchased Gas Adjustment, and Reconciliations for the Refund Factors.

### **Purchased Gas Adjustment**

Enclosures 1, 2, and 3 reflect the Purchased Gas Adjustment (PGA) calculations for EDG's South System, North System and Northwest System. Each PGA gas cost calculation has been developed using the October 12, 2007, NYMEX index price, fixed or hedged gas cost and storage gas cost for the months of November, 2007 through October, 2008. The proposed rate changes are also based upon the current interstate pipeline transportation rate authorized by the Federal Energy Regulatory Commission ("FERC"). The pipeline transportation charges included in this request for the South System are based on the Southern Star Central Gas Pipeline FERC Gas Tariffs, Sub-5th Revised Sheet No. 10, 8th Revised Sheet No. 11, and 6th Revised Sheet No. 12. The tariff rate changes for the North System are based on the Panhandle Eastern Pipe Line Company FERC Gas Tariffs, 14th Revised Sheet No. 5, 14th Revised Sheet No. 8, 4th Revised Sheet No. 14, and 4th Revised Sheet No. 19. The tariff rate changes for Northwest System are based on the ANR FERC Gas Tariffs, 10th Revised Sheet No. 6, 46th Revised Sheet No. 17, 14th Revised Sheet No. 17A, and 24th Revised Sheet No. 19. In addition to transportation charges on the above three pipelines, EDG uses the Cheyenne Plains Pipeline to deliver natural gas to each of the above three pipeline systems. The Cheyenne Plains Pipeline charges are based on the 4<sup>th</sup> Revised Sheet No. 20, which was effective June 1, 2007.

**Actual Cost Adjustment**

Included as Enclosure 4 to this filing are the minimum filing requirement schedules that are the basis of the Actual Cost Adjustment ("ACA") portion of this filing. Schedule 4 of Enclosure 4 is a summary showing revenue, purchased gas costs, and over or under recovery for the ACA year ended August, 2007, and the proposed changes in the ACA rates to be effective November 3, 2007. Detailed supporting workpapers are available for the Commission Staff audit.

The summary schedule shows that the purchased gas revenue recovery during the ACA year ended August 31, 2007 resulted in an under-recovery balance in the amount of \$653,401 for the South System, an over-recovery balance in the amount of \$137,944 for the North System and an over-recovery balance in the amount of \$214,017 for the Northwest System. In total the gas cost recovery for the three systems combined was an under-recovery balance in the amount of \$301,440 for the ACA year ended August 31, 2007. The under-recovery balance of \$653,401 on the South System includes the impact of the transfer of refund balances to the ACA account.

**South System Refund Factor**

Included as Enclosure 5, is a summary schedule detailing the activity for the proposed refund factor on the EDG's South System. EDG received one refund from Southern Star Central Gas Pipeline, Inc. on January 18, 2007 in the amount of \$25. In accordance with the EDG Purchased Gas Adjustment ("PGA"), this refund along with the remaining refund balance of \$4,513 and an Ad Valorem refund balance of \$493,201 at August 31, 2007 has been used in the determination of the new ACA factor for the upcoming ACA year, and the proposed refund factor has been reduced to zero. The details associated with the Ad Valorem refund balance at August 31, 2007 are displayed on Enclosure 5, page 2 of 2.

**North System Refund Factor**

Included as Enclosure 6, is a summary schedule that details the refund activity on the North System which is served by Panhandle. As indicated, EDG did not receive any refunds from Panhandle during the current ACA period. In accordance with the EDG Purchased Gas Adjustment ("PGA"), the remaining refund balance of (\$3,606) has been used in the determination of the new ACA factor for the upcoming ACA year, and the proposed refund factor has been reduced to zero.

**Northwest System Refund Factor**

There were no refunds from ANR during the ACA year and no old refund balances on the Northwest system.



### Carrying Cost

The EDG PGA in effect during the current ACA year did not include a provision for the calculation of carrying costs on any deferred balances. Therefore, Enclosures 7, 8, and 9 are not applicable to the current ACA period. In future ACA filings these Enclosures 7, 8 and 9 will be used to capture the carrying costs authorized by the current EDG PGA tariff.

Enclosures 10, 11, and 12 are the Prior Period Adjustment Summaries for the South System, the North System and the Northwest System. These were used as part of the carrying cost calculation, and since there are no carrying costs included in the current ACA filing, these enclosures do not apply.

Enclosures 13, 14, and 15 reflect the winter season revenue change associated with the gas cost recovery portion of the rates. These enclosures compare the total PGA rates included in this filing to the total PGA rates in effect during the winter season last year. As indicated, the proposed winter season PGA rates in this filing are lower than those in effect in the winter of 2006/2007. Specifically, the proposed PGA change results in an overall PGA revenue decrease of \$4,436,990 or 20.06% for the South System, an overall PGA revenue decrease of \$1,010,634 or 14.07% for the North System, and an overall PGA revenue decrease of \$254,498 or 7.37% for the Northwest System. In addition, a residential customer consuming 600 Ccf of natural gas over the upcoming winter season, November through March, should see a decrease in natural gas costs of \$117 on the South System, \$79 on the North System and \$33 on the Northwest System as a result of the proposed decreases to the PGA factors on each system.

The Empire District Gas Company respectfully requests that these rates become effective with volumes used on and after November 3, 2007.

Sincerely,



W. Scott Keith  
Director of Planning and Regulatory

Enclosures

cc: Office of the Public Counsel