

MEMORANDUM
STAFF STATUS REPORT

TO: Missouri Public Service Commission Official Case File
File No. GR-2009-0397, The Empire District Gas Company

FROM: David M. Sommerer, Manager - Procurement Analysis Department
Phil Lock, Regulatory Auditor - Procurement Analysis Department

/s/ David M. Sommerer 03/25/2011
Project Coordinator, Date

/s/ Bob Berlin 03/25/2011
Staff Counsel Division, Date

SUBJECT: The Empire District Gas Company – Staff Status Report

DATE: March 25, 2011

Staff filed its 2008-2009 ACA recommendation on December 30, 2010. On January 3, 2011, the Commission issued its Order directing Company's response to Staff's Recommendation by January 31, 2011. On January 31, 2011, Empire District Gas Company filed its response to Staff's Recommendation. On February 10, 2011 Staff filed its reply to Company's response to Staff Recommendation and Memorandum. In this memorandum, Staff will provide a status report on the open issues contained in the 2008-2009 ACA recommendation.

PROPERTY TAXES

After discussion with the Company on March 2, 2011, the Company indicated several reasons why property taxes should be included in the PGA. Staff requested that the Company provide those reasons in writing. On March 4, 2011, the Company provided Staff its arguments for recovery of property taxes as a gas cost and Staff has considered them in this filing. After review, Staff does not agree with the Company's arguments for including those costs in the PGA. As Staff stated in its recommendation, property taxes should not be included in storage inventory because these costs do not qualify as purchased gas expenses. The PGA definition of gas costs clearly does not include property taxes as part of the cost of gas. Property taxes have historically been recovered in the context of a rate case (i.e. through an Accounting Authority Order (AAO)). Staff's proposed adjustment reduces the cost of gas on the Northern System by \$6,355 and by \$8,075 on the Southern System.

CASH-OUTS

All Systems

The Company indicated that it corrected the September 2008 cash-out errors in the November 2008 customer billings. The Company included a worksheet in its response to Staff's recommendation that includes cash-out corrections for all three systems. On February 9, 2011 the November 2008 customer billings corrections were received at the request of Staff. Staff has reviewed the cash-out corrections for all three systems and agrees with the Company's corrections with one exception (Modine billing adjustment error). After discussion with the Company on March 2, 2011, it was agreed to by the parties that the September 2008 cash-out adjustment proposed by Staff will be withdrawn and the Company will agree to change its

November 2008 billing adjustment for its customer, Modine, from (\$558.81) to \$558.81. Staff proposed a gas cost increase of \$3,565 to the Southern System, a gas cost decrease of \$47 for the Northern System and a gas cost decrease of \$2,620 for Northwest System customers.

CONCLUSION

The parties further agree that no changes will be made to Staff's ACA table until an agreement is in place for both the Cash-out and Property Tax issues.

TABLE 1

Description (+) Under-recovery (-) Over-recovery	8-31-09 Ending Balances Per Filing	Commission Approved Adjustments prior to 2008-2009 ACA (A1)	Staff Adjustments For 2008-2009 ACA	Staff Recommended 8-31-09 Ending Balances
Southern System: Firm ACA	\$1,166,886	\$0	(\$8,075) (A) \$3,565 (B)	\$1,162,376
Interruptible ACA	(\$33,443)	\$0	\$0	(\$33,443)
Take-or-Pay	\$0	\$0	\$0	\$0
Transition Cost	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0
Northern System: Firm ACA	(\$786,980)	\$0	(\$6,355) (A) (\$47) (B) (\$11,780) (C)	(\$805,162)
Interruptible ACA	\$57,167	\$0	\$0	\$57,167
Take-or-Pay	\$0	\$0	\$0	\$0
Transition Cost	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0
Northwest System: Firm ACA	(\$162,322)	\$0	(\$2,620) (B)	(\$164,942)
Interruptible ACA	\$0	\$0	\$0	\$0
Take-or-Pay	\$0	\$0	\$0	\$0
Transition Cost	(\$2,586)	\$0	\$0	(\$2,586)
Refund	\$0	\$0	\$0	\$0

- A1) All Commission approved adjustments prior to Case GR-2009-0397
(Case GR-2008-0368 and GR-2008-0123) have been adopted by the Company.
- A) Property Taxes
- B) Cash-out – September 2008
- C) Cash-out – August 2009 (\$10,042) + (\$1,738)

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of The Empire District Gas Company's)
Purchased Gas Adjustment (PGA) Tariff Filing.)

File No. GR-2009-0397

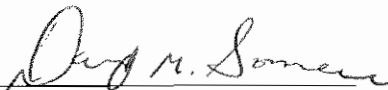
AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David M. Sommerer, being of lawful age, on his oath states: that as a Utility Regulatory Manager in the Procurement Analysis Department of the Utility Services Division, he has participated in the preparation of the foregoing report, consisting of 2 pages to be presented in the above case; that he has verified that the following Staff Memorandum was prepared by himself and Staff of the Commission that have knowledge of the matters set forth as described below; that he has verified with the Staff member(s) listed below that the matters set forth in the Staff Memorandum are true and correct to the best of his knowledge and belief,

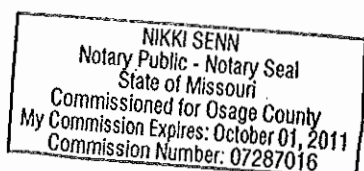
Phil S. Lock, Regulatory Auditor – Purchased Gas Costs & Billed Revenues

that he has knowledge of the matters set forth in such report and that such matters are true to the best of his knowledge and belief.



David M. Sommerer

Subscribed and sworn to before me this 25th day of March, 2011.





Notary Public