

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of The Empire District Gas    )  
Company’s Purchased Gas Adjustment    )       Case No. GR-2018-0122  
Tariff Filing                                    )

**RESPONSE TO STAFF RECOMMENDATION AND MEMORANDUM**

**COMES NOW** The Empire District Gas Company (“EDG” or “Company”), and, as its response to the Staff Recommendation and Memorandum, respectfully states as follows to the Missouri Public Service Commission (Commission):

**INTRODUCTION**

1.       On December 17, 2018, the Staff of the Commission (Staff) filed its *Staff Recommendation Regarding the 2016-2017 Actual Cost Adjustment of The Empire District Gas Company* and an attached Memorandum (Staff Recommendation and Memorandum) in this matter. This document set out the results of Staff’s analyses and recommendations concerning EDG’s 2016- 2017 Actual Cost Adjustment (ACA) filing.

2.       The Commission directed that EDG respond to the Staff Recommendation by January 31, 2019.

3.       EDG will respond to the various issues identified by Staff in the following paragraphs. EDG’s response will reference the Staff Recommendation and Memorandum by use of the same section titles utilized by the Staff.

**II. BILLED REVENUE AND ACTUAL GAS COSTS**

**Gas Procurement Practices.** The Company reviewed the outstanding adjustments recommended to the 2015-2016 ACA balances. It was discovered during the review, one adjustment in the amount of (\$13,595) for the North System was incorrectly applied to the South

System. The Company will correct the entry for both systems therefore remediating the necessity for 2016-2017 recommended adjustments.

### **III. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING**

**Storage Planning.** The Company agrees with Staff's concerns regarding storage balances for the Empire service areas. Planned November 1 storage levels must be able to provide the flexibility necessary to accommodate weather swings in early November. For the winter year 2018-2019, the Company did not fill all of its storage to the 95% level, which would allow for injections of base load gas supplies in the month of November should warmer weather occur. The Company will continue to incorporate this practice on the Southern Star storage account. On the ANR (Northwest) and Panhandle Eastern (North) storage accounts, the Company will plan to fill those storage accounts close to 95% because it does not purchase base load gas for these systems during the winter months since the storage accounts cover a significant portion of the expected winter usage for these systems.

**Reserve Margins.** Staff addressed reserve margins in the Empire North and South areas and encouraged the Company to continue to monitor its pipeline contracts and maintain an appropriate reserve margin for each service area. The Company renegotiated the Southern Star and Panhandle Eastern transportation contracts effective November 1, 2018, and has significantly reduced reserve margins on both systems.

### **IV. HEDGING**

Staff provided certain recommendations and encouraged the Company to continue to assess and document the effectiveness of its hedges for the 2017-2018 ACA period and beyond. The Company will continue to evaluate its natural gas hedging strategy while taking into consideration current market conditions. The Company will continue to document the

effectiveness of its hedging strategy in future ACA periods. The Company also plans to continue use of out-of-the-money call options as a way to control hedging costs while protecting the Company from any significant price increases.

## V. RECOMMENDATIONS

The Company agrees with the Staff's recommended balance adjustments designed to reflect the (over)/under recovery balances for the ACA accounts as reflected in the following table:

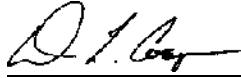
Description + Under-recovery (-) Over-recovery	8-31-17 Ending Balances Per Filing	Commission Approved Adjustments 2014-2015 ACA (A)	Staff Adjustments For 2015-2016 ACA (A-1)	Staff Adjustment For 2016-2017 ACA
South System: Firm ACA	\$1,026,714	B \$4,118 C \$11,308 D \$(3,425)	\$0	\$1,594
Interruptible ACA	\$0	\$0	\$0	\$0
Take-or-Pay (TOP)	\$0	\$0	\$0	\$0
Transition Cost (TC)	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0
North System: Firm ACA	\$726,843	A \$(13,595) C \$(1,140) D \$1,653	E \$(11,112)	\$(513)
Interruptible ACA	\$0	\$0	\$0	\$0
Take-or-Pay (TOP)	\$0	\$0	\$0	\$0
Transition Cost (TC)	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0
Northwest System: Firm ACA	\$(275,529)	\$0	\$0	\$0
Interruptible ACA	\$0	\$0	\$0	\$0
Take-or-Pay (TOP)	\$0	\$0	\$0	\$0
Transition Cost (TC)	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0

(A) Commission Order issued February 16, 2017 in Case No. GR-2016-0099 approving amounts from 2014-2015 ACA. Empire has not included these adjustments in its 2015-2016 or its 2016-2017 ACA filing.

- A End user Adjustment
- B "Spot" Market Price Adjustment
- C Chevenne Plains Pipeline Reservation Charges Re-Allocation

**WHEREFORE**, The Empire District Gas Company respectfully requests that the Commission consider this response to the Staff Recommendation and Memorandum and issue such orders as it believes to be reasonable and just.

Respectfully submitted,



Dean L. Cooper MBE#36592  
BRYDON, SWEARENGEN & ENGLAND P.C.  
312 E. Capitol Avenue  
P. O. Box 456  
Jefferson City, MO 65102  
(573) 635-7166  
[dcooper@brydonlaw.com](mailto:dcooper@brydonlaw.com)  
ATTORNEYS FOR THE EMPIRE  
DISTRICT GAS COMPANY

#### **CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail on January 31, 2019, to the following:

Bob Berlin/Jeffrey A. Keevil  
Office of the General Counsel  
[Bob.Berlin@psc.mo.gov](mailto:Bob.Berlin@psc.mo.gov)  
[jeff.keevil@psc.mo.gov](mailto:jeff.keevil@psc.mo.gov)

Office of the Public Counsel  
[opservice@ded.mo.gov](mailto:opservice@ded.mo.gov)

