

In the Matter of The Empire District Gas Company's )  
Purchased Gas Adjustment Tariff Filing ) Case No. GR-2013-0250

**COMES NOW** The Empire District Gas Company (EDG or Company), and respectfully provides to the Missouri Public Service Commission (Commission) the following response to the Staff Recommendation and Memorandum:

# INTRODUCTION

1. On December 18, 2013, the Commission Staff (Staff) filed its Staff Recommendation Regarding The Empire District Gas Company's Actual Cost Adjustment for 2011-2012 and Memorandum (Staff Recommendation and Memorandum) in this matter. This document set out the results of Staff's analyses and recommendations concerning EDG's 2011-2012 Actual Cost Adjustment (ACA) filing.

2. The Commission directed that EDG respond to the Staff Recommendation by February 3, 2014.

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.

## BILLED REVENUE AND ACTUAL GAS COSTS

## COMPLIANCE ADJUSTMENTS

- **Southern Star Central Gas Pipeline Reservation Charges**

EDG disagrees with Staff's adjustment to decrease the cost of gas on the Company's South System by \$20,099. The Company does not believe that this amount was

recovered twice. Documents were sent on January 24, 2014 to Staff in support of the Company's position.

- **Cheyenne Plains Allocation**

The Company agrees to change its allocation procedure regarding the Cheyenne Plains reservation costs to an allocation that is based on the normal system requirements for each of its three distribution systems. The Company will re-allocate the reservation charges in accordance with the dollars amounts recommended by Staff for this ACA period.

- **Southern Star Pipeline Imbalances**

The Company agrees to correct the misstated July 2012 imbalance.

- **Supplier Gas Purchases**

The Company agrees to make the July 2012 adjustments recommended by Staff which are inclusive of re-allocations of the Cheyenne Plains natural gas purchases.

- **Cash-outs -- End User**

The Company agrees that the cash-out activity for Arnette Enterprises was filed incorrectly and will make the recommended adjustment to correct gas cost.

- **Cash-outs --Pool Aggregation**

The Company agrees with the Staff adjustments to the May 2012 Small Volume pool cash-out amounts and will record the recommended adjustments to gas cost.

- **Hedging Allocation**

The Company agrees to make the financial hedge adjustments recommended by Staff for February and March 2012.

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

- **Peak Day Estimate**

The Company agrees to continue to refine its peak day requirement forecasts for all three operating systems in advance of the expiration of the pipeline contracts it currently has in place to serve the systems.

- **Cheyenne Plains Pipeline Charges Allocation**

The Company will implement Staff's recommended allocation changes by using normalized sales volumes for each system in the Company's Cheyenne Plains reservation allocation methodology.

## **HEDGING**

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 and develop the summary requested by Staff with the assistance of the Company's new gas supply database efforts.

## **STAFF RECOMMENDATIONS/ADJUSTMENTS**

With the exception of the \$20,099 (B) Staff adjustment and its impact upon the South System over/under balance ( highlighted below) that is discussed in the paragraph labeled **Southern Star Reservation Charges**, the Company agrees with the Staff's recommended balance adjustments designed to reflect the (over)/under recovery balances for the ACA, TOP, TC and Refund accounts as reflected in the following table:

**TABLE 1**

Description + Under-recovery (-) Over-recovery	8-31-12 Ending Balances Per Filing	Commission Approved Adjustments prior to 2011-2012 ACA (A)	Staff Adjustments For 2011-2012 ACA	8-31-12 Staff Recommended Ending Balances
South System: Firm ACA	\$480,010	\$0	(B) <del>(\$20,099)</del> (C) \$142,344 (D) (\$516) (E) \$404 (F) \$2,764 (G) (\$3,819) (H) \$142,861	\$743,949 \$764,048
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	\$991,981	\$0	(C) (\$44,623) (E) \$626 (G) (\$1,709) (H) (\$55,930)	\$890,345
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	\$361,974	\$0	(C) (\$97,721) (E) (\$1,120) (G) (\$894) (H) (\$86,931)	\$175,308
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) All prior period adjustments (included in Case GR-2012-0124) have been adopted by the Company in Case GR-2014-0096.

B) Southern Star reservation costs

C) Cheyenne Plains allocations

D) Southern Star imbalances

E) Supplier gas purchases

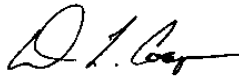
F) Cashout – End user

G) Cashout – Pool Aggregation

H) Hedging allocation - (\$109,950 Feb + \$32,911 Mar) South; (\$55,930) Feb – North;  
[(\$54,020) Feb + (\$32,911) Mar] NW. Source DR 75 – Cost Summary.

**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,



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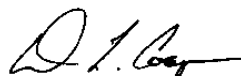
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ATTORNEYS FOR THE EMPIRE  
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#### **CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail on January 29, 2014, to the following:

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