

LAW OFFICES  
**BRYDON, SWEARENGEN & ENGLAND**

PROFESSIONAL CORPORATION

DAVID V.G. BRYDON, Retired  
JAMES C. SWEARENGEN  
WILLIAM R. ENGLAND, III  
JOHNNY K. RICHARDSON  
GARY W. DUFFY  
PAUL A. BOUDREAU  
CHARLES E. SMARR  
DEAN L. COOPER

312 EAST CAPITOL AVENUE  
P.O. BOX 456  
JEFFERSON CITY, MISSOURI 65102-0456  
TELEPHONE (573) 635-7166  
FACSIMILE (573) 635-3847  
dcooper@brydonlaw.com

BRIAN T. MCCARTNEY  
DIANA C. CARTER  
SCOTT A. HAMBLIN  
JAMIE J. COX  
L. RUSSELL MITTEN  
ERIN L. WISEMAN

COUNSEL  
GREGORY C. MITCHELL

October 21, 2011

**VIA ELECTRONIC FILING (EFIS)**

Mr. Steven Reed  
Secretary/General Counsel  
Missouri Public Service Commission  
200 Madison St  
Jefferson City, MO 65102

**RE: The Empire District Gas Company  
GR-2012-**

Dear Mr. Reed:

Included are electronic copies of PSC MO. No. 2, 7th Revised Sheet No. 62, 7th Revised Sheet No. 63 and 7th Revised Sheet No. 65, reflecting a change in the Purchased Gas Adjustment, and Actual Cost Adjustment and Refund Factor of The Empire District Gas Company ("EDG") Purchased Gas Adjustment ("PGA") tariff.

The EDG PGA tariff requires an Annual Cost Adjustment ("ACA") for the over recovery or under recovery of gas cost and a calculation of the Annual Purchased Gas Adjustment.

***Purchased Gas Adjustment***

Enclosures 1, 2, and 3 reflect the PGA calculations for EDG's South, North and Northwest local distribution systems. Each PGA gas cost calculation has been developed using the October 7, 2011, NYMEX index price, fixed or hedged gas cost and storage gas cost for the months of November, 2011 through October, 2012. The proposed rate changes are also based upon the current interstate pipeline transportation rates authorized by the Federal Energy Regulatory Commission ("FERC") for each of the interstate pipelines transporting natural gas to each of EDG's three local distribution systems. The pipeline transportation charges included in this request for the South system are based on the current Southern Star Central Gas Pipeline FERC Gas tariffs. The transportation charges for the North System are based on the current Panhandle Eastern Pipe Line Company FERC Gas tariffs. The transportation charges for Northwest System are based on the ANR FERC Gas tariffs. In addition to transportation charges on the above three pipelines, EDG uses the Cheyenne Plains Gas Pipeline to deliver natural gas

to each of the above three interstate pipeline systems. EDG used the current Cheyenne Plains pipeline FERC-approved transportation rates to develop the costs included in this PGA filing. Information concerning the specific charges and the applicable pipeline tariff sheets is displayed on Enclosures 1, 2 and 3 of the supporting schedules.

### ***Actual Cost Adjustment***

Included as Enclosure 4 to this filing are the schedules that support the 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, 2011, and the proposed changes in the ACA rates to be effective November 4, 2011. Detailed supporting workpapers will also be made available to the Commission Staff.

The summary schedule shows that the purchased gas revenue recovery during the ACA year ended August 31, 2011 resulted in an over-recovery balance in the amount of \$516,071 for the South system (Firm customers), an under-recovery balance in the amount of \$182,143 for the North system (Firm customers) and an under-recovery balance in the amount of \$325,946 for the Northwest system (Firm customers). In total the gas cost recovery for the three systems combined was an under-recovery balance in the amount of \$24,127 for the ACA year ended August 31, 2011. The recovery balance on the South and North systems has been allocated between the firm and interruptible sales service customer classifications. The recovery balance on the Northwest system is all related to the firm sales service classification.

### ***Carrying Cost***

The EDG PGA in effect during the current ACA year included a provision for the calculation of carrying costs on any deferred balances. The carrying cost calculation for each system has been displayed on Enclosure 5.

### ***Revenue Change***

Enclosures 6, 7 and 8 reflect the winter season revenue change associated with the residential gas cost recovery portion of the rates. These enclosures compare the PGA rates included in this filing to the 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 during last winter, with the changes in the ACA recovery factor driving most of the change in the total PGA rates. Specifically, the proposed total PGA change results in an increase in total PGA charges from those that are currently in effect for each of the systems with an overall residential winter PGA revenue increase of \$15,822 or 0.18% for the South system, an overall residential winter PGA revenue increase of \$146,082 or 5.06% for the North system, and an overall residential winter PGA revenue increase of \$123,027 or 8.58% for the Northwest system. In addition, a residential customer consuming 600 Ccf of natural gas over the upcoming winter season of November through March, should see an increase in natural gas costs of less than \$1 on the South System and increases of \$17.50 and \$24.72 on the North and Northwest systems,

respectively. In total, the proposed PGA changes will result in an overall winter increase in firm PGA revenue of \$15,822 on the South system, almost \$146,000 on the North system and slightly over \$123,000 on the Northwest system.

### **Analysis of Change in PGA Factors**

A more detailed analysis of the overall change in PGA rates is displayed on Enclosure 9. The overall change in the PGA rates has been subdivided into three components:

- Interstate Pipeline Transportation
- Natural Gas Cost
- Actual Cost Adjustment ((ACA)

For example, as proposed, EDG's overall firm PGA rate, including ACA, on the South system will increase by around 0.2 percent or \$0.00109 per 100 cubic feet (Ccf) from the PGA rates in effect last winter. This increase in the overall PGA rate reflects an increase of \$0.01102 in the average cost of interstate pipeline transportation, a decline of \$0.03343 in average gas costs and a \$0.02350 increase in average ACA charges. As indicated, the increase in average costs on the systems is largely related to the true-up of ACA charges. The overall PGA rates on the Northwest system remain the lowest of the three systems that EDG operates. This is primarily due to the lower interstate pipeline transportation cost associated with service on the Northwest system. The FERC interstate transportation rates on the South and North system average around \$0.20 per Ccf, while those on the Northwest average around \$0.10 per Ccf.

### **Hedging Activity**

EDG through a combination of storage and financial instruments and physical purchases has fixed the cost of natural gas acquisition for the upcoming winter season for each of the three systems as follows:

- South                72 percent
- North                93 percent
- Northwest        82 percent

The higher ratio on the North and Northwest systems is due to a greater availability of storage on each of these systems.

### **Effective Date**

EDG respectfully requests that these PGA rates become effective with volumes used on and after November 4, 2011.

### **Contact Information**

Mr. Steven Reed  
Secretary/General Counsel  
Page 4 of 4  
October 21, 2011

Communications in regard to this filing should be addressed to the undersigned counsel  
and:

Mr. Scott Keith  
The Empire District Electric Company  
602 South Joplin Avenue  
P.O. Box 127  
Joplin, Missouri 64802  
Phone: (417) 625-4266  
Fax: (417) 625-5173  
E-mail: [skeith@empiredistrict.com](mailto:skeith@empiredistrict.com)

Thank you for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By: 

Dean L. Cooper

Enclosures

cc: Office of General Counsel  
Office of the Public Counsel