

**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-2017-0134  
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 14, 2017, the Commission Staff (Staff) filed its Staff Recommendation Regarding The Empire District Gas Company's Actual Cost Adjustment for 2015-2016, 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 2015- 2016 Actual Cost Adjustment (ACA) filing.
2. The Commission directed that EDG respond to the Staff Recommendation by January 30, 2018.
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**

### **1. Gas Procurement Practices**

The Company will incorporate all the recommended adjustments to the ACA balances.

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

### **1. Storage Planning**

The Company recognizes Staff's concerns regarding having storage balances of 95% by November 1. For the winter 2017-2018, the Company did not fill storage to the 95% level, which allowed for injections of base load gas supplies when weather is warmer. The Company will continue to give consideration to this practice on the Southern Star storage account. On the ANR (Northwest) and Panhandle Eastern (North) storage accounts, the Company is faced with a different situation as 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.

### **2. Reserve Margins**

The Company is in the process of renegotiating the Southern Star and Panhandle Eastern transportation contracts, which will become effective November 1, 2018, and will reduce transportation capacity as a part of that process.

## **IV. 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. The Company also plans to continue consideration of

out-of- the-money call options as a way to control hedging costs.

## 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:

**TABLE 1**

<b>Description + Under-recovery (-) Over-recovery</b>	<b>8-31-16 Ending Balances Per Filing (A)</b>	<b>Commission Approved Adjustments prior to 2015-2016 ACA (A-1)</b>	<b>Staff Adjustments For 2015-2016 ACA</b>	<b>8-31-16 Staff Recommended Ending Balances</b>
South System: Firm ACA	\$505,713	\$12,001	\$0	\$517,714
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	\$495,593	(\$13,082)	(\$11,112)(B)	\$471,399
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	(\$190,494)	(\$8,397)	\$0	(\$198,891)
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) Includes 2013-2014 ACA adjustments per Commission order.

A-1) Commission order issued February 16, 2017 on Case GR-2016-0099 approving adjusted amounts from 2014-2015 ACA. Due to the timing of Commission’s order, Empire has not included these adjustments in its 2015-2016 ACA filing.

B Restates North System 8-31-15 Firm ACA balance to \$323,977 under-recovery as approved in Case No. GR-2016-0099. The Company had filed \$335,089 under-recovery requiring the \$11,112 staff adjustment.

**WHEREFORE**, The Empire District Gas Company respectfully requests that the Commission consider this response to the Staff Recommendation and Memorandum and issue such

