

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

In the Matter of the Empire District Gas	)	
Company's Purchased Gas Adjustment	)	<b>Case No. GR-2009-0397</b>
Tariff Filing.	)	

**STAFF'S REPLY TO EMPIRE DISTRICT GAS COMPANY'S RESPONSE  
TO STAFF RECOMMENDATION AND MEMORANDUM**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Reply, states as follows:

1. On January 31, 2011, The Empire District Gas Company (EDG or Empire) filed its Response to Staff Recommendation and Memorandum (Response) regarding the Staff's analyses and recommendations concerning EDG's 2008-2009 Actual Cost Adjustment (ACA) filing.

2. The Staff has reviewed Empire's Response and offers its reply to the issues addressed by the company in an effort to narrow and possibly resolve the issues that remain in dispute. Staff addresses the issues raised in Empire's Response in Staff's Memorandum, attached hereto as Appendix A and incorporated herein for all purposes.

3. The Staff offers its Memorandum as a starting point to begin discussions with Empire on the possibility of resolving the issues raised by the company. To that end, the Staff suggests the Commission allow it 30 days from this filing to engage in discussions with Empire and to file a status report on the results of those discussions. Staff's status report will address whether there exists a need to schedule a prehearing conference.

WHEREFORE, for the reasons discussed above and as explained in Staff's Memorandum, the Staff prays the Commission accept its reply and to issue an order directing the Staff to file a status report not later than March 11, 2011.

Respectfully submitted,

**/s/Robert S. Berlin**

Robert S. Berlin  
Senior Counsel  
Missouri Bar No. 51709

Attorney for the Staff of the  
Missouri Public Service Commission  
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Jefferson City, MO 65102  
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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 10<sup>th</sup> day of February 2011.

**/s/ Robert S. Berlin**

**MEMORANDUM**  
**STAFF REPLY**

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

**FROM:** David M. Sommerer, Manager - Procurement Analysis Department  
Phil Lock, Regulatory Auditor - Procurement Analysis Department  
Lesa Jenkins, P.E., Regulatory Engineer - Procurement Analysis Department  
Derick Miles, P.E., Utility Engineering Specialist - Procurement Analysis Department  
Kwang Choe, Ph.D., Regulatory Economist - Procurement Analysis Department

/s/ David M. Sommerer 02/10/2011  
Project Coordinator, Date

/s/ Bob Berlin 02/10/2011  
General Counsel's Office, Date

**SUBJECT:** Empire District Gas Company – Staff's Reply to Company Response

**DATE:** February 10, 2011

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

**PROPERTY TAXES**

In the Company's response to Staff's ACA recommendation, Empire contends that property taxes are directly related to gas held in storage on the interstate pipelines and therefore should be recovered using the PGA mechanism. 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. 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 that includes cash-out corrections for all three systems. On February 9, 2011 the November customer billings were received at the request of Staff. Staff is in the process of verifying those corrections. In the event that the November 2008 billings include Staff's corrections, Staff will remove its September 2008 cash-out adjustments from its recommendation. 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 NW System customers.

## RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

Staff discussed the issues of Regression Analysis and Reserve margins with the Company via conference call on February 9, 2011. Staff and the Company are communicating to clarify the issues and information needs related to the current and future ACA periods. There are no financial adjustments in this case related to Reliability and Gas Supply Planning.

## HEDGING

The Company's response is acceptable to Staff.

**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)

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Case No. GR-2009-0397

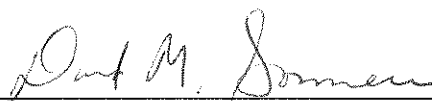
**AFFIDAVIT OF DAVID M. SOMMERER**

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 Staff Reply to Company Response, 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 each of the Staff members listed below that the matters set forth in the Staff Memorandum are true and correct to the best of his knowledge and belief,

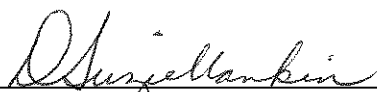
Phil Lock, Regulatory Auditor – Purchased Gas Costs & Billed Revenues  
Lesa Jenkins, P.E., Regulatory Engineer – Reliability Analysis & Gas Supply Planning  
Derick Miles, P.E., Utility Engineering Specialist - Reliability Analysis & Gas Supply Planning  
Kwang Choe, Ph.D., Regulatory Economist - Hedging

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 10<sup>th</sup> day of February, 2011.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 08, 2012 Commission Number: 08412071
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Notary Public