



November 3, 2006

Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison St
Jefferson City, MO 65102

RE: GR-2006-0297

Included is the electronic copy of PSC MO. No. 1, 7th Revised Sheet No. 61, 8th Revised Sheet No. 62 and 6th Revised Sheet No. 64 reflecting a change in the Purchased Gas Adjustment, Actual Cost Adjustment, Refund Factor and Deferred Carrying Cost Balance of The Empire District Gas Company ("EDG") Purchased Gas Adjustment Clause.

The EDG Purchased Gas Adjustment Clause requires an annual actual cost adjustment for the over recovery or under recovery resulting from the operation of the Regular Purchased Gas Adjustment section of the Purchased Gas Adjustment Clause, a calculation of the Annual Purchased Gas Adjustment, and Reconciliations for the Refund Factors. The Deferred Carrying Cost Balance is also required, but only through June 30, 2006. According to the EDG, Tariff P. S. C. MO. No. 1, Sheet No. 56, III, the PGA and ACA method provisions to calculate interest expired on July 1, 2006.

Purchased Gas Adjustment

Enclosures 1, 2, and 3 reflect the Purchased Gas Adjustment (PGA) calculations for EDG's Southern System, Northern System and Northwest System. Each PGA gas cost calculation has been developed using the October 24, 2006, NYMEX index price, fixed or hedged gas cost and storage gas cost for the months of November, 2006, through October, 2007. The proposed rate changes are also based upon the current interstate pipeline transportation rate authorized by the Federal Energy Regulatory Commission ("FERC"). The pipeline transportation charges included in this request for the Southern System are based on the Southern Star Central Gas Pipeline FERC Gas Tariffs, Sub-Fourth Revised Sheet No. 10, Seventh Revised Sheet No. 11, and Fifth Revised Sheet No. 12. The tariff rate changes for the Northern System are based on the Panhandle Eastern Pipe Line Company FERC Gas Tariffs, Twelfth Revised Sheet No. 5, Twelfth Revised Sheet No. 8, Fourth Revised Sheet No. 14, and Fourth Revised Sheet No. 19. The tariff rate changes for Northwest System are based on the ANR FERC Gas Tariffs, Tenth Revised Sheet No. 6, Forty-Sixth Revised Sheet No. 17, Fourteenth Revised Sheet No. 17A, and Twenty-Third Revised Sheet No. 19.

Actual Cost Adjustment

Included as Enclosure 4 to this filing are the minimum filing requirement schedules that are the basis of the Actual Cost Adjustment ("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, 2006, and the proposed changes in the ACA rates to be effective November 20, 2006. Detailed supporting workpapers are available for the Commission Staff audit.

The summary schedule shows that the purchased gas revenue recovery during the ACA year ended August 31, 2006 was less than purchased gas cost in the amount of \$2,318,682.60 for the Southern System, less than purchased gas cost in the amount of \$105,488.07 for the Northern System and more than purchased gas cost in the amount of \$115,450.37 for Northwest System. Total purchased gas revenue recovery for the three systems combined was \$2,403,257.57 less than purchased gas cost for the ACA year ended August 31, 2006.

Southern Star-Southern System Refund Factor

Included as Enclosure 5, is a summary schedule detailing the activity for the proposed refund factor on the EDG's Southern system. Aquila Networks/EDG received four refunds from Southern Star Central Gas Pipeline, Inc. On December 16, 2005, a refund in the amount of \$1,057.28 related to Docket No. RP06-86-000 was received. On October 6, 2005, a refund for \$352.39 related to Docket No. RP95-136-022 was received. On August 16, 2005, a refund in the amount of \$220.19 related to a Transportation Credit was received. On September 14, 2000, a refund in the amount of \$1,240.51 related to Docket No. RP00-302 was received. Interest has been calculated at the annual rate of six percent from the date the refunds were received in accordance with the EDG Purchased Gas Adjustment Clause and used as part of the determination of a new refund factor for the Southern System.

Northern System Refund Factor

Included as Enclosure 6, is a summary schedule that details the refund activity on the Northern system which is served by Panhandle. This activity was taken into consideration in the determination of a new refund factor for the Northern System. As indicated, Aquila Networks/EDG did not receive any refunds from Panhandle during the period of November, 2005, through October, 2006. A new refund factor for the upcoming ACA year has been determined from previous year's refund balance that has not been refunded through ACA recovery process by the end of the current ACA year.

Northwest System Refund Factor

There were no refunds from ANR during the ACA year and no old refund balances on the Northwest system.

Deferred Carrying Cost Balance

Enclosures 7, 8, and 9 reflect the Deferred Carrying Cost Balances for the Southern System, the Northern System and the Northwest System. Carrying costs have been calculated on the Deferred Carrying Cost Balances that exceed ten percent of an average annual gas cost threshold. Per the EDG PGA tariff, this method calculation expired on July 1, 2006. Therefore, these Enclosures only reflect interest calculation from September 1, 2005, through June 30, 2006. This results in carrying costs to be collected from the customers in the amount of (\$14,363.00) on the Southern System, (\$1,594.00) on the Northern System, and (\$1,567.00) on the Northwest System.

Enclosures 10, 11, and 12 are the Prior Period Adjustment Summaries for the Southern System, the Northern System and the Northwest System.

Enclosures 13, 14, and 15 reflect the winter season revenue change associated with the gas cost recovery portion of the rates. These enclosures compare the PGA rates included in this filing to the PGA rates in effect at the beginning of the winter season last year. As indicated, the proposed winter season PGA rates in this filing are lower than those in effect at the beginning of last winter. Specifically, the proposed PGA change results in an overall PGA revenue decrease of (\$1,189,133) or (13.25%) for the Southern System, an overall PGA revenue decrease of (\$799,878.00) or (14.33%) for the Northern System, and an overall PGA revenue decrease of (\$665,425.00) or (\$21.89%) for the Northwest System.

The Empire District Gas Company respectfully requests that these rates become effective with volumes used on and after November 20, 2006.

Sincerely,



W. Scott Keith

Director of Planning and Regulatory

Enclosures

cc: Office of the Public Counsel