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October 19, 2010

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-2011-_____

Dear Mr. Reed:

Included is the electronic copy of PSC MO. No. 2, 6th Revised Sheet No. 62, 6th Revised Sheet No. 63 and 6th 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 8, 2010, NYMEX index price, fixed or hedged gas cost and storage gas cost for the months of November, 2010 through October, 2011. 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, 2010, and the proposed changes in the ACA rates to be effective November 2, 2010. 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, 2010 resulted in an over-recovery balance in the amount of $1,113,702 for the South system (Firm customers), an over-recovery balance in the amount of $190,272 for the North system (Firm customers) and an under-recovery balance in the amount of $24,864 for the Northwest system (Firm customers). In total the gas cost recovery for the three systems combined was an over-recovery balance in the amount of $1,341,194 for the ACA year ended August 31, 2010. 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. Specifically, the proposed PGA change results in a decline in PGA charges from those that are currently in effect for each of the systems with an overall residential winter PGA revenue decrease of $2.3 million or 20.69% for the South system, an overall residential winter PGA revenue decrease of $1,953 or .07% for the North system, and an overall residential winter PGA revenue decrease of $567 or .04% 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 a decrease in natural gas costs of $93 on the South System and less than $1on the North and Northwest systems as a result of the proposed decreases to the PGA factors on each system. In total, the proposed PGA changes will result in an overall annual decrease in firm PGA revenue of $4.1 million on the South system, almost $4,000 on the North system and slightly over $1,000 on the Northwest system.

<u>Analysis of Change in PGA Factors</u>

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 decline by around 20.7 percent or $0.15564 per 100 cubic feet (Ccf) from the PGA rates in effect last winter. This decline in the overall PGA rate reflects a decline of $0.04428 in the average cost of interstate pipeline transportation, a decline of $0.02287 in average gas costs and a $0.08849 decline in average ACA charges. As indicated, the smaller decline in average costs on the North and Northwest systems is primarily related to a decline in the cost of natural gas. The declines in average gas costs on these two systems were largely offset by increases in ACA charges. The net result was very little change in the overall PGA rates on both of these systems. The overall PGA rates on the Northwest system are 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 76 percent
- North 92 percent
- Northwest 83 percent

Interruptible PGA-North

The overall interruptible PGA rate on the North system is projected to be $0.30687 for the upcoming winter. This particular rate only applies to a single customer during the upcoming winter. The major factor driving this rate lower involves a major decline in the ACA or true-up factor. The proposed ACA factor refunds over $28,000 in over-recovered PGA costs to this single customer.

Effective Date

EDG respectfully requests that these PGA rates become effective with volumes used on and after November 2, 2010.

Contact Information

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

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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