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October 24, 2013

VIA ELECTRONIC FILING (EFIS)

Mr. Joshua Harden
Secretary/General Counsel
Missouri Public Service Commission
200 Madison Street
Jefferson City, MO 65102

**RE: The Empire District Gas Company
GR-2014-xxxx**

Dear Mr. Harden:

Included is the electronic copy of PSC MO. No. 2, 9th Revised Sheet No. 62, 9th Revised Sheet No. 63 and 9th 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 11, 2013, NYMEX index price, fixed or hedged gas cost and storage gas cost for the months of November, 2013 through October, 2014. 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, in part, on the proposed Southern Star Central Gas Pipeline (“SSCP”) tariffs that are scheduled to go into effect on December 1, 2013. The proposed increase in SSCP rates contribute to an overall increase in interstate pipeline transportation costs of around forty-two (42) percent for EDG’s South system. The

transportation charges for the North System are based on the 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, 2013, and the proposed changes in the ACA rates to be effective November 7, 2013. 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, 2013 resulted in an over-recovery balance in the amount of \$103,860 for the South system (Firm customers), an under-recovery balance in the amount of \$1,109,030 for the North system (Firm customers) and an under-recovery balance in the amount of \$362,558 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 \$1,367,728 for the ACA year ended August 31, 2013.

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 higher than those in effect during last winter for the South, North and Northwest systems, primarily due to the increase in pipeline transportation rates on the Southern Star system and large under-recovered gas costs on the North and Northwest distribution systems. Specifically, the proposed total PGA change results in a increase in PGA charges from those that are currently in effect for the South, North and Northwest systems with an overall residential winter PGA revenue increase of \$993,010 or 11.45% for the South system, an overall residential winter PGA revenue increase of \$322,162 or

9.9% for the North system, and an overall residential winter PGA revenue increase of \$149,663 or 9.62% 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 \$41 on the South system, an increase of \$39 on the North system and an increase of \$30 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 11.4 percent or \$0.06840 per 100 cubic feet (Ccf) from the PGA rates in effect last winter. This increase in the overall PGA rate reflects a projected increase of \$0.08189 in the average cost of interstate pipeline transportation, an increase of \$0.00957 in average gas costs and a \$0.02306 decline in 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 average interstate transportation rates on the South and North system range from \$.19 to \$.28 per Ccf, while those on the Northwest average close to \$0.11 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 54 percent
- North 94 percent
- Northwest 83 percent

Effective Date

EDG respectfully requests that these PGA rates become effective with volumes used on and after November 7, 2013.

Mr. Joshua Harden
Secretary/General Counsel
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October 23, 2013

Contact Information

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

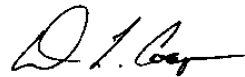
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Thank you for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:



Dean L. Cooper

Enclosure

cc: Office of General Counsel
Office of the Public Counsel