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October 31, 2012

**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-2013-**

Dear Mr. Reed:

Included is the electronic copy of PSC MO. No. 2, 8th Revised Sheet No. 62, 8th Revised Sheet No. 63 and 8th 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 5, 2012, NYMEX index price, fixed or hedged gas cost and storage gas cost for the months of November, 2012 through October, 2013. 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, 2012, and the proposed changes in the ACA rates to be effective November 14, 2012. 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, 2012 resulted in an under-recovery balance in the amount of \$480,010 for the South system (Firm customers), an under-recovery balance in the amount of \$991,981 for the North system (Firm customers) and an under-recovery balance in the amount of \$361,974 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 \$1,837,599 for the ACA year ended August 31, 2012. This was, in large part, driven by the extremely warm weather in the winter of 2011/2012.

### ***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 for the South and Northwest systems, with the changes in the ACA recovery factor offsetting most of the forecast decline in gas costs. Specifically, the proposed total PGA change results in a decrease in PGA charges from those that are currently in effect for the South and Northwest systems with an overall residential winter PGA revenue decrease of \$1,887 or .02% for the South system, an overall residential winter PGA revenue increase of \$222,303 or 2.33% for the North system, and an overall residential winter PGA revenue decrease of \$448 or .03%

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 less than \$1 on the South System and Northwest Systems and an increase of \$27 on the North 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 decrease by around .02 percent or \$0.00013 per 100 cubic feet (Ccf) from the PGA rates in effect last winter. This decrease in the overall PGA rate reflects a projected decrease of \$0.00282 in the average cost of interstate pipeline transportation, a decline of \$0.03594 in average gas costs and a \$0.03863 increase in ACA charges. As indicated, the change in average cost on the systems is largely related to the true-up of ACA charges driven in large part by mild weather last winter. 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 FERC interstate transportation rates on the South and North system average around \$0.20 per Ccf, while those on the Northwest average close to \$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                53 percent
- North                98 percent
- Northwest        88 percent
- Overall             71 percent

### **Effective Date**

EDG respectfully requests that these PGA rates become effective with volumes used on and after November 14, 2012.

Mr. Steven Reed  
Secretary/General Counsel  
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October 31, 2012

***Contact Information***

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

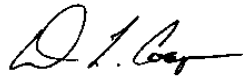
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Thank you for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:



Dean L. Cooper