

## RESPONSE TO STAFF RECOMMENDATION AND MEMORANDUM

## INTRODUCTION

## RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

## 1

midnight, and the natural gas pipeline industry gas day of 9:00 am to 9:00 am. The heating degree day (HDD) is based on the NOAA information and the volumes through the city gate are reported by the pipelines using the gas day calculation. During the late hours on January 14, a significant change in temperature was created by a very cold winter storm that brought sub-zero temperatures to the region. NOAA temperatures for January 14 were a high/low of 37/2, while the temperatures for January 15 were a high/low of 11/-6. The 9 hour difference between NOAA and the pipeline skewed the temperature vs volume information reported in the regression. EDG will continue to refine the analysis to identify this type of situation.

## **2. Interruptible Customers**

6. Staff identifies its concern that the Company is including interruptible loads (non-firm loads) for the regression analyses.

7. EDG includes interruptible loads in its regression analysis due to EDG's intention to serve all available load on its systems. At this time, EDG has ample transportation and storage to accommodate any current firm and interruptible load requirements. If EDG's system had an event that would require customer curtailments, EDG would curtail the load of interruptible customers prior to curtailment of firm customers. EDG will continue discussions with Staff regarding this issue.

## **3. Southern System Reserve Margin**

8. Staff suggests that the reserve margin on the Southern system for the 2009/2010 ACA period is high and encourages the Company to continue to pursue capacity releases, as appropriate, on the Southern Star Central Gas Pipeline to reduce the costs associated with the high reserve margin.

9. EDG reviews the market for capacity releases each month. The market is currently flooded with excess capacity and the value of capacity release is minimal. EDG does not engage in bidding wars between marketers and other capacity holders as it brings very little value, and essentially depresses the capacity release price further. In addition, during the winter months Empire maintains certain capacity levels to maximize its storage rights in the event of a sudden and unpredicted winter storm and the related spike in customer demand. EDG will continue to review the market for capacity release, and take advantage of the market when appropriate.

### **HEDGING**

10. Staff recommends the Company continue to assess and document the effectiveness of its hedges for the 2010-2011 ACA and beyond, that the Company continue to document its hedging decisions and provide the documentation to the Staff during each ACA review and that the Company evaluate whether the hedging plan for each of the three systems has operational implications for warm and cold weather conditions.

11. EDG will continue to include information concerning the effectiveness of the prior winter season gas supply plan in its annual meeting with Staff that is held in the late spring of each year. EDG will continue to analyze the potential impact of weather variations from normal heating degree days on each of its three delivery systems and provide that information to Staff at the annual supply meeting. EDG has expanded its hedging activities to include summer and longer term planning horizons. EDG will continue to provide the Staff with an analysis of the potential impact of weather variations on each of the three delivery systems at the annual gas supply planning meeting held with the Staff and Office of the Public Counsel in the spring of each year.

## ADJUSTMENTS

12. EDG agrees with the Staff's recommended balance adjustments designed to reflect the ending (over)/under recovery balances for the ACA, TOP, TC and Refund accounts as is reflected in the following table:

Description (+)Under-recovery (-) Over-recovery	8-31-10 Ending Bal. Per EDG Filing	Approved Adjustments prior to 2009-2010 ACA (A)	Staff Adjustments For 2009-2010 ACA	Staff 8-31-10 Ending Balances
Southern Sys.-Firm ACA	(\$1,147,145)	\$0	\$4,950 (A1) \$6,200 (B)	(\$1,135,995)
Interruptible ACA	(\$33,867)	\$0	\$0	(\$33,867)
TOP	\$0	\$0	\$0	\$0
TC	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0
Northern Sys. Firm ACA	(\$190,272)	\$0	(\$6,661) (A2) \$6,200 (B)	\$(190,733)
Interruptible ACA	(\$28,217)	\$0	\$0	(\$28,217)
TOP	\$0	\$0	\$0	\$0
TC	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0
NW Sys.-Firm ACA	\$24,864	\$0	\$1,711 (A3) \$6,200 (B)	\$32,775
Interruptible ACA	\$0	\$0	\$0	\$0
TOP	\$0	\$0	\$0	\$0
TC	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0

A) All adjustments prior to GR-2011-0108 have been adopted by the Company.

A1) \*\* \_\_\_\_\_ \*\* (\$1,207) + \$6,157

A2) \*\* \_\_\_\_\_ \*\* \$811 + (\$7,472)

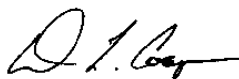
A3) \*\* \_\_\_\_\_ \*\* \$396 + \$1,315

B) \*\* \_\_\_\_\_ \*\* Physical call option

**WHEREFORE,** The Empire District Gas Company respectfully requests that the Commission consider this response to the Staff Recommendation and Memorandum and issue

such orders as it believes to be reasonable and just.

Respectfully submitted,



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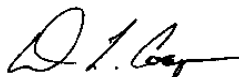
Dean L. Cooper MBE#36592  
BRYDON, SWEARENGEN & ENGLAND P.C.  
312 E. Capitol Avenue  
P. O. Box 456  
Jefferson City, MO 65102  
(573) 635-7166  
(573) 635-3847 facsimile  
dcooper@brydonlaw.com  
ATTORNEYS FOR THE EMPIRE  
DISTRICT GAS COMPANY

### **CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail on January 27, 2012, to the following:

Robert S. Berlin  
Office of the General Counsel  
bob.berlin@psc.mo.gov

Marc Poston  
Office of the Public Counsel  
marc.poston@ded.mo.gov



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