

COMES NOW The Empire District Gas Company (EDG or Company), and respectfully provides to the Missouri Public Service Commission (Commission) the following response to the Staff Recommendation and Memorandum:

1. On December 12, 2012, the Commission Staff (Staff) filed its Recommendation and Memorandum in this matter. This document set out the results of Staff's analyses and recommendations concerning EDG's 2010-2011 Actual Cost Adjustment (ACA) filing.

2. The Commission directed that EDG respond to the Staff Recommendation by January 25, 2013.

3. EDG will respond to the various issues identified by Staff in the following paragraphs. EDG's response will reference the Recommendation and Memorandum by use of the same section titles utilized by the Staff.

- **Southern Star Central Pipeline Imbalances**

Empire agrees with Staff adjustment to decrease the cost of gas on the Company's South system by \$2,662.

- **Cash-outs-Aggregation and Large Volume**

Empire agrees with Staff adjustments to increase gas costs on the South system for

\$47,540, increase gas costs on the North system for \$16,054 and decrease gas costs on the Northwest system by \$481.

- **Request for Proposal**

Empire agrees to preserve and document procedures used in short-term gas procurement. In addition, the Company agrees to review its documentation procedures used when gas supplies are acquired through a formal RFP process to ensure that information is retained as to the number of RFPs issued, individual responses to the solicitation and the Company's evaluation process.

- **Basis Differential Gain**

Empire agrees with the Staff allocation of basis differential used to reduce the cost of gas by \$29,483, \$10 and \$3,931 on the South, North and Northwest systems, respectively.

- **Large Volume Sales Customer(s) Actual Cost Adjustment**

Empire agrees with Staff adjustment to refund \$49,714 and \$53,508 in ACA recoveries to **_____** and **_____**, respectively. In addition, Empire agrees with the Staff adjustment to increase the gas cost under-recovery balance for its firm customers by \$103,222 on its North system.

RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

- **Reserve Margin**

The Company agrees to continue to refine its peak day requirement forecasts for all three operating systems in advance of the expiration of the pipeline contracts it currently has in place to serve the systems.

- **Cheyenne Plains Allocation**

The Company will continue to evaluate its methodology of allocating capacity costs amongst its three service areas in future ACA periods.

- **Hedging**

The Company will continue to review its natural gas hedging strategy while taking into consideration current market conditions. The Company will also continue to document the effectiveness of its hedging strategy in future ACA periods, and retain the documentation associated with its hedging decisions.

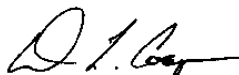
ADJUSTMENTS

4. 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	8-31-11 Ending Bal. Per EDG Filing	Approved Adjustments prior to 2009-2010 ACA (A)	Staff Adjustments For 2009-2010 ACA	Staff 8-31-11 Ending Balances
Southern Sys.-Firm ACA	(\$516,071)	\$0	\$15,395	(\$500,676)
Interruptible ACA	\$0	\$0	\$0	\$0
TOP	\$0	\$0	\$0	\$0
TC	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0
Northern Sys. Firm ACA	\$182,143	\$0	\$119,266	\$301,409
Interruptible ACA	\$32,109	\$0	\$(103,222)	(\$71,113)
TOP	\$0	\$0	\$0	\$0
TC	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0
NW Sys.-Firm ACA	\$325,947	\$0	\$(4,412)	\$321,535
Interruptible ACA	\$0	\$0	\$0	\$0
TOP	\$0	\$0	\$0	\$0
TC	\$0	\$0	\$0	\$0
Refund	\$0	\$0	\$0	\$0

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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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 25, 2013, to the following:

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