

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of The Empire District Gas Company’s                    )  
Purchased Gas Adjustment Tariff Filing                                    )                    Case No. GR-2019-0124

**RESPONSE TO STAFF RECOMMENDATION AND COMMISSION ORDER**

COMES NOW The Empire District Gas Company, a Liberty Utilities company (“EDG” or “Company”), and for its Response to Staff Recommendation and Commission Order, respectfully states as follows to the Missouri Public Service Commission (the “Commission”):

1. On December 12, 2019, the Staff of the Commission (“Staff”) filed its recommendation regarding EDG’s 2017-2018 Actual Cost Adjustment (“ACA”) filing, requesting that the Commission make adjustments to EDG’s ending ACA balances and issue an order establishing those balances.

2. On December 13, 2019, the Commission issued its *Order Directing Response*, directing EDG to respond to Staff’s recommendation by January 27, 2020. EDG responds to Staff’s recommendations as set forth below.

**Billed Revenue and Actual Gas Costs**

3. EDG agrees with Staff’s recommended adjustment for the North System to correct an understatement of purchased gas costs in the amount of \$3,000.00 and with Staff’s recommended adjustment for the Northwest System to correct an overstatement of storage transportation costs in the amount of \$945.32.

**Reliability Analysis and Gas Supply Planning**

4. **Storage Planning.** EDG agrees with Staff that storage plans must allow for flexibility in responding to the possibility of warmer than expected weather. Subsequent to Staff’s recommendation in Case No. GR-2018-0122, the Company changed the storage target for the

South System to accommodate greater flexibility for the possibility of warmer-than-normal weather. The Company targets for the North System and the Northwest System remain the same, as these systems do not have base load supply during the winter and begin withdrawing on November 1 of each year. The Company believes these storage targets are reasonable and provide the flexibility necessary to accommodate late-summer / early-winter demand variations.

5. **Reserve Margins.** The memorandum attached to Staff's recommendation noted Staff's findings regarding the reserve margins for the North System and the South System. These reserve margins concerned Staff, but, as noted by Staff, the Company made changes to the North System and South System contracts effective November 1, 2018. The contract changes reduced the transportation and storage quantities and have resulted in reductions to the reserve margins in each area. As recommended by Staff, EDG will continue to monitor its pipeline contracts and maintain an appropriate reserve margin for each service area.

#### **Hedging**

6. Staff recommends that EDG continue to evaluate the appropriate volumes associated with various hedging instruments going forward. EDG agrees with this recommendation. The Company has incorporated the assistance of Gelber and Associates to provide guidance and assistance with the EDG and Liberty Utilities (Midstates Natural Gas) Corp. hedging programs. EDG continues to use hedging targets of 70-90% based on changing market conditions, uses various financial tools, and will consider the benefits of various price-fixing alternatives, including calls, options, and fixed physical purchases.

#### **Staff's Recommended Adjustments**

7. EDG agrees with Staff's recommended balance adjustments designed to reflect the (over)/under recovery balances for the ACA accounts, as reflected in the following table:

<b>Description + Under-recovery (-) Over-recovery</b>	<b>8-31-18 Ending Balances Per Filing</b>	<b>Staff Adjustments For 2017-2018 ACA</b>	<b>8-31-18 Staff Recommended Ending Balances</b>
<b>South System: Firm ACA</b>	(\$817,183)	\$0	(\$817,183)
<b>Interruptible ACA</b>	\$0	\$0	\$0
<b>Take-or-Pay (TOP)</b>	\$0	\$0	\$0
<b>Transition Cost (TC)</b>	\$0	\$0	\$0
<b>Refund</b>	\$0	\$0	\$0
<b>North System: Firm ACA</b>	\$372,861	\$3,000 <sup>1</sup>	\$375,861
<b>Interruptible ACA</b>	\$0	\$0	\$0
<b>Take-or-Pay (TOP)</b>	\$0	\$0	\$0
<b>Transition Cost (TC)</b>	\$0	\$0	\$0
<b>Refund</b>	\$0	\$0	\$0
<b>Northwest System: Firm ACA</b>	(\$178,540)	(\$945) <sup>2</sup>	(\$179,485)
<b>Interruptible ACA</b>	\$0	\$0	\$0
<b>Take-or-Pay (TOP)</b>	\$0	\$0	\$0
<b>Transition Cost (TC)</b>	\$0	\$0	\$0
<b>Refund</b>	\$0	\$0	\$0

WHEREFORE, EDG submits this Response to Staff Recommendation and Commission Order. EDG requests such relief as is just and proper under the circumstances.

Respectfully submitted,

/s/ Diana C. Carter

Diana C. Carter MBE #50527

THE EMPIRE DISTRICT GAS COMPANY

428 E. Capitol Ave., Suite 303

Jefferson City, Missouri 65101

Joplin Office Phone: (417) 626-5976

Cell Phone: (573) 289-1961

E-Mail: Diana.Carter@LibertyUtilities.com

**CERTIFICATE OF SERVICE**

I hereby certify that the above document was filed in EFIS on this 23<sup>rd</sup> day of January, 2020, with notice of the same sent to all counsel of record.

/s/ Diana C. Carter