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October 28, 2008

Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
200 Madison St  
Jefferson City, MO 65102

RE: GR-2008-0368

Included is the electronic copy of PSC MO. No. 2, 3rd Revised Sheet No. 62, 3rd Revised Sheet No. 63 and 3rd Revised Sheet No. 65 reflecting a change in the Purchased Gas Adjustment, 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 24, 2008, NYMEX index price, fixed or hedged gas cost and storage gas cost for the months of November, 2008 through October, 2009. 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 and the Wyoming Interstate Company to deliver natural gas to each of the above three pipeline systems. EDG used the current pipeline transportation rates on each one of these pipelines 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, 2008, and the proposed changes in the ACA rates to be effective November 12, 2008. 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, 2008 resulted in an under-recovery balance in the amount of \$1,333,382 for the South system, an under-recovery balance in the amount of \$349,766 for the North system and an under-recovery balance in the amount of \$395,903 for the Northwest system. In total the gas cost recovery for the three systems combined was an under-recovery balance in the amount of \$2,079,051 for the ACA year ended August 31, 2008. The under-recovery balance on the South and North systems has been allocated between the firm and interruptible sales service customer classifications. The under-recovery on the Northwest system is all related to the firm sales service classification.

## ***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 gas cost recovery portion of the rates. These enclosures compare the total PGA rates included in this filing to the total PGA rates in effect during the winter season last year. In addition, these enclosures display the change in the overall PGA rates from those currently in effect. As indicated, the proposed winter season PGA rates in this filing are higher than those in effect during last winter, but lower than the PGA rates currently in effect for each of the systems. Specifically, the proposed PGA change results in a decline in PGA charges from those that are currently in effect for each of the systems with an overall winter PGA revenue decrease of \$2,601,786 or 10.50% for the South system, an overall winter PGA revenue decrease of \$1,290,435 or 15.20% for the North system, and an overall winter PGA revenue decrease of \$550,142 or 11.96% for the Northwest system. In addition, a residential customer consuming 600 Ccf of natural gas over the upcoming winter season, November through March, should see a decrease in natural gas costs of \$69 on the South System, \$100 on the North System and \$71 on the Northwest System as a result of the proposed decreases to the PGA factors on each system.

**Effective Date**

The Empire District Gas Company respectfully requests that these rates become effective with volumes used on and after November 12, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Scott Keith". The signature is fluid and cursive, with the first name "W." and last name "Keith" clearly distinguishable.

W. Scott Keith

Director of Planning and Regulatory

Enclosures

cc: Office of the Public Counsel