Empire District Gas Company
PEPL-Northern System Annualized Gas Cost Calculation
To Reflect Current PEPL & Spot Market Rates

Enclosure 2

FIRM	Annual Volume	Monthly Capacity Reserved	No. Of Days Reserved	Tariff/ Contracted Rate	Annual Cost
Panhandle Eastern Pipe Line					
Contract 17005					
EFT Reservation Rates					
Contracted Winter Volumes and rate		17,000	151	$0.32249	$827,820
Contracted Summer Volumes and rate		9,000	214	$0.33249	$640,376
Contract 17004					
FS Storage		800,000	365	$0.40280	$322,240
Contracted Winter Volumes & Rate		14,000	151	$0.11094	$234,527
Contracted Summer Volumes & Rate		6,000	214	$0.11094	$142,447
Spot Market Purchases	1,052,643			$6.8300	$7,189,552
Total Annual Cost					$9,356,961
Sales Volume at Burnertip	1,015,917				
Cost per MCF at Burnertip					**$9.2104**
Highest WACOG	Sept 03 - Aug 04	Sept 04 - Aug 05	Sept 05 - Aug 06	**Average WACOG**	
	$5.5045	$5.9323	$7.6105	**$6.3491**	
	Highest Avg WACOG-(Avg with the highest 3 averages)			**$6.9798**	
	OCTOBER 2005 Gas Commodity Costs			**$3.6166**	

INTERRUPTIBLE	Annual Volume			Rate	Annual Cost
Panhandle Eastern Pipe Line					
IT Interruptible Rates				@150%	
Field Zone				$0.2625	$0.2625
Market Zone Access				$0.1637	$0.1637
Market Zone Mileage				$0.0999	$0.0999
GRI Funding Unit				$0.0000	$0.0000
ACA Unit Charge				$0.0024	$0.0024
TOP Volumetric Surcharge				$0.0000	$0.0000
Settlement Surcharges				$0.0000	$0.0000
Canadian Resolution Surcharges				$0.0000	$0.0000
Stranded Transportation Cost Surcharge				$0.0000	$0.0000
Miscellaneous Stranded Costs Surcharge				$0.0000	$0.0000
Spot Market Price Per MCF	$6.8300				$6.8300
Total Annual Cost					$7.3585
Sales Volume at Burnertip					
Cost per MCF at Burnertip					**$7.3585**

Empire District Gas Company
PEPL-Northern System Gas Cost Inputs

Enclosure 2

MPS Line Loss	3.489%
Annual Burnertip Sales	1,015,917

PEPL Rates	Tariff Rate
PEPL EFT Reservation Rates	
Field Zone Reservation	$4.7300
Market Zone Access	$3.3000
Market Zone Mileage 201-300 Block	$1.8000
GRI Funding Unit	$0.0000
Settlement Surcharges	$0.0000
Canadian Resolution Surcharges	$0.0000
GSR Surcharge	$0.0000
Stranded Transportation Cost Surcharge	$0.0000
Miscellaneous Stranded Costs Surcharge	$0.0000
PEPL EFT Commodity Rates	
Field Zone Commodity	$0.0195
Market Zone Access	$0.0006
Market Zone Mileage 201-300 Block	$0.0075
GRI Funding Unit	$0.0000
ACA Unit Charge	$0.0016
TOP Volumetric Surcharge	$0.0000
Settlement Surcharges	$0.0000
Total Market Zone Commodity	$0.0097
PEPL IT Interruptible Rates - Transmission Charges	
Field Zone	$0.1750
Market Zone Access	$0.1091
Market Zone Mileage 201-300 Block	$0.0666
GRI Funding Unit	$0.0000
ACA Unit Charge	$0.0016
TOP Volumetric Surcharge	$0.0000
Settlement Surcharges	$0.0000
Canadian Resolution Surcharges	$0.0000
Stranded Transportation Cost Surcharge	$0.0000
Miscellaneous Stranded Costs Surcharge	$0.0000
PEPL Storage Rates	
Deliverability Charge Field Area	$3.3500
Capacity Charge Field Area	$0.4028

Seasonal Sales Volume @ Burnertip	
Jan	210,286
Feb	168,791
Mar	121,881
Apr	67,642
May	35,654
Jun	17,383
Jul	16,057
Aug	15,979
Sep	21,495
Oct	46,551
Nov	114,883
Dec	179,314
	1,015,917

PEPL Gathering Loss (Fuel Reimbursement)	0.57%
PEPL Field Zone Loss (Fuel Reimbursement)	0.83%
PEPL Market Zone Loss (Mileage 201-300 Fuel Reimb)	1.32%
PEPL Storage Injection Loss (Field Area) (Fuel Reimb)	1.84%
PEPL Storage Withdrawal Loss (Field Area) (Fuel Reimb)	0.81%

Note: From FERC Gas Tariff: PEPL Twelfth Revised Sheet No. 5 Effective 11/1/06; Twelfth Revised Sheet No. 8 Effective 11/1/06; Fourth Revised Sheet No. 14 Effective 11/01/06; Fourth Revised Sheet No. 19 Effective 10/1/06

Calculated Inputs	Firm	Storage	Total Firm	Interruptible	Total
Annual Throughput at Burnertip Per Sales Forecast	264,651	751,266	1,015,917	0	1,015,917
Annual Throughput at Citygate	274,218	778,425	1,052,643	0	1,052,643
Annual Throughput at Havenpool	277,886	795,440	1,073,326	0	1,073,326
Annual Throughput at Wellhead	277,886	800,000	1,077,886	0	1,077,886

Empire District Gas Company
PEPL-Northern System
Current Gas Cost Calculation

	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Totals
SUMMARY OF COMMODITY COSTS													
Requirements	114,883	179,314	210,286	168,791	121,881	67,642	35,654	17,383	16,057	15,979	21,495	46,551	1,015,917
PEPL Market Zone Fuel Loss	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	
PEPL Field Zone Fuel Loss	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	
Gathering Fuel Loss	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	
Total Supply - Fuel Loss	118,067	184,284	216,114	173,469	125,259	69,517	36,642	17,865	16,502	16,422	22,091	47,841	
Storage Injection	0	0	0	0	0	79,546	79,546	79,546	79,546	79,546	79,546	79,546	556,822
Storage Injection Loss	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	
Total Storage - Fuel Loss	0	0	0	0	0	81,037	81,037	81,037	81,037	81,037	81,037	81,037	
(Storage injection is noted on spreadsheet but not included in commodity cost calculation because Empire does not pay for storage until it is withdrawn in the winter months.)													
Purchase Requirements	118,067	184,284	216,114	173,469	125,259	69,517	36,642	17,865	16,502	16,422	22,091	47,841	1,044,073
Physical Forwards	0	10,000	20,000	0	0	0	0	0	0	0	0	0	30,000
Average Price	$ -	$ 7.0800	$ 7.4000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Total Cost	$ -	$ 70,800	$ 148,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 218,800
Total Supply	0	34,727	56,557	33,912	0	69,517	36,642	17,865	16,502	16,422	22,091	47,841	352,076
Forecasted Price (NYMEX-PEPL Basis)	$ -	$ 7.3010	$ 7.4410	$ 7.5460	$ 7.4510	$ 6.9410	$ 6.9210	$ 7.0030	$ 7.0960	$ 7.1600	$ 7.2090	$ 7.2910	
Total Cost	$ -	$ 253,542	$ 420,841	$ 255,900	$ -	$ 482,517	$ 253,599	$ 125,109	$ 117,098	$ 117,582	$ 159,254	$ 348,809	$ 2,534,251
Storage Withdrawal (17007)	139,557	139,557	139,557	139,557	139,557	0	0	0	0	0	0	0	697,785
Storage WACOG (17007)	$ 6.5810	$ 6.5810	$ 6.5810	$ 6.5810	$ 6.5810	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Total Cost	$ 918,425	$ 918,425	$ 918,425	$ 918,425	$ 918,425	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,592,125
Forecasted Gas Commodity Cost	$ 918,425	$ 1,242,767	$ 1,487,266	$ 1,174,325	$ 918,425	$ 482,517	$ 253,599	$ 125,109	$ 117,098	$ 117,582	$ 159,254	$ 348,809	$ 7,345,176
Forecasted Sales Gas Quantity	139,557	184,284	216,114	173,469	139,557	69,517	36,642	17,865	16,502	16,422	22,091	47,841	1,079,861
Gas Cost (Commodity) Dth													$6.8020
SUMMARY OF UPSTREAM COSTS													
Panhandle Eastern Pipeline - Firm													
FT Commodity (Field Zone)	117,394	183,234	214,883	172,480	124,545	69,121	36,433	17,763	16,408	16,328	21,965	47,568	
FT Commodity (Market Zone)	116,420	181,713	213,099	171,048	123,512	68,547	36,131	17,616	16,272	16,193	21,783	47,173	
Total Units	233,814	364,947	427,982	343,528	248,057	137,668	72,564	35,379	32,680	32,521	43,748	94,741	2,067,629
Cost/Dth - Field Zone	$0.0195	$0.0195	$0.0195	$0.0195	$0.0195	$0.0195	$0.0195	$0.0195	$0.0195	$0.0195	$0.0195	$0.0195	
Cost/Dth - Market Zone	$0.0097	$0.0097	$0.0097	$0.0097	$0.0097	$0.0097	$0.0097	$0.0097	$0.0097	$0.0097	$0.0097	$0.0097	
Total Panhandle Commodity Costs	$3,418	$5,336	$6,257	$5,023	$3,627	$2,013	$1,061	$517	$478	$475	$640	$1,385	$30,230
Forecasted Northern Upstream Costs	$3,418	$5,336	$6,257	$5,023	$3,627	$2,013	$1,061	$517	$478	$475	$640	$1,385	$30,230
Forecasted Firm Sales Quantity	139,557	184,284	216,114	173,469	139,557	69,517	36,642	17,865	16,502	16,422	22,091	47,841	1,079,861
Upstream Cost/Dth													$0.0280
Wellhead Cost of Gas													$ 6.8300

Empire District Gas Company
PEPL-Northern System
Gas Commodity Cost Calculation

INSIDE FERC October 2005	$3.54
PEPL Market Zone Fuel Loss	1.32%
PEPL Field Zone Fuel Loss	0.00%
Gathering Fuel Loss	0.00%
PEPL Index Adjusted for Fuel	$ 3.5874
PEPL Cost/Dth Field Zone	$0.0195
PEPL Cost/Dth - Market Zone	$0.0097
	$3.6166
Total Gas Commodity Costs	$3.6166