

In the Matter of The Empire District Gas Company's)
Purchased Gas Adjustment Tariff Filing) Case No. GR-2008-0123

RESPONSE TO STAFF RECOMMENDATION AND MEMORANDUM

Comes now The Empiure 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 31, 2008, the Commission Staff (Staff) filed its Recommendation and Memorandum in this matter. This document set out the results of Staff's audit of the billed revenues and actual gas costs for the period September 2006 through August 2007, included in EDG's 2006-2007 Actual Cost Adjustment (ACA) filing.

2. On January 5, 2009, the Commission issued its Order Directing Filing wherein it ordered EDG to respond to the Staff Recommendation and Memorandum by February 4, 2009. EDG will respond to the various issues identified by Staff in the following paragraphs. EDG's response will reference the Recommendation by use of the same section titles utilized by the Staff.

HEDGING

3. EDG agrees to analyze hedging risk for each winter month under normal, cold and warm weather conditions. This analysis will be presented to the Staff for the winter of 2009/2010 in May of 2009, at the annual gas supply meeting with the Staff. The EDG presentation at this meeting will also include an analysis of the timing and type of approaches EDG plans to use in the winter of 2009/2010 and beyond.

RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

Regression Analyses and System Load Estimates

4. EDG agrees to use the last two years of winter data to perform the annual analysis of its gas system(s) load. The design day calculation, just as in the past, will be based upon the extreme weather conditions that occurred on the system in the late 1980's. EDG has in past gas supply presentations included estimates of monthly gas usage based upon normal weather conditions. This monthly analysis will be expanded to include estimates of monthly usage under weather conditions that are twenty percent (20%) warmer or colder than normal. This regression and its results will be presented to the Staff at the annual gas supply meeting for the winter season of 2009/2010. This analysis will also take into account the potential impact upon EDG's natural gas storage plans. The analysis of South system load and capacity will be further subdivided by operating area to provide the Staff with more information concerning the load, capability and potential reserve margins by operating area.

Reserve Margins

5. The Company as part of the system load analysis it has agreed to provide in paragraph 4 of this response, will provide its reserve margin for the winters of 2009/2010 through 2013, and discuss the rationale for the pipeline commitments that are in place for the system(s).

Cheyenne Plains

6. The Company will continue to monitor and evaluate the basis for its selection of natural gas supply alternatives on the Cheyenne Plains Pipeline.

Cheyenne Plains – Accounting Adjustment

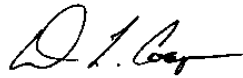
7. EDG understands that Staff intends to review purchasing practices on Cheyenne Plains in the future and will address the results of any such review in those cases.

ADJUSTMENTS

8. EDG has reviewed the adjustments proposed by the Staff in regard to Ad Valorum Refunds, Interruptible ACA Balances and Cash-Out Provisions, as well as the reflection of those adjustments in Table 1 of the Staff Memorandum. EDG agrees with these recommended adjustments recommended and will post the adjustments to its books and records within sixty (60) days of the Commission order approving the Staff Recommendation.

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 28, 2009, to the following:

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