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November 3, 2017

VIA ELECTRONIC FILING (EFIS)

Judge Morris Woodruff
Secretary
Missouri Public Service Commission
200 Madison St.
Jefferson City, MO 65102

**RE: The Empire District Gas Company
GR-2018-xxxx**

Dear Judge Woodruff:

Included are the electronic copies of PSC MO. No. 2, 13th Revised Sheet No. 62; 13th Revised Sheet No. 63; and 13th Revised Sheet No. 65, reflecting a change in the Purchased Gas Adjustment, and 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 a NYMEX index price, fixed or hedged gas cost and storage gas cost for the months of November, 2017 through October, 2018. 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 upon the Southern Star Central Gas Pipeline (“SSCP”) tariffs. The transportation charges for the North System are based on the Panhandle Eastern Pipe Line Company Gas tariffs. The transportation charges for Northwest System are based on the ANR

Gas tariffs. 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, 2017, and the proposed changes in the ACA rates to be effective December 1, 2017. 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, 2017 resulted in an under-recovery balance in the amount of \$1,026,714 for the South system (Firm customers), an under-recovery balance in the amount of \$726,843 for the North system (Firm customers) and an over-recovery balance in the amount of \$275,529 for the Northwest system (Firm customers). In total the gas cost recovery for the three systems combined was an under-recovery balance in the amount of \$1,478,028 for the ACA year ended August 31, 2017.

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 residential gas cost recovery portion of the rates. These enclosures compare the PGA rates included in this filing to the PGA rates in effect during the winter season last year. The overall PGA rates for the South, North, and Northwest system will increase from where they were last winter. Specifically, the proposed total PGA change results in an increase in PGA charges from those that are currently in effect with an overall residential winter PGA revenue increase of \$635,584 or 9.15% for the South system, an overall residential winter PGA revenue increase of \$163,753 or 10.03% for the North system, and an overall residential winter PGA revenue increase of \$35,004 or (2.30%) for the Northwest system. In addition, a residential customer consuming 600 Ccf of natural gas over the upcoming winter season of November through March, should see an increase in natural gas costs of almost \$29 on the South system, an of around \$29 on the North system and an increase of around \$5 on the Northwest system.

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Analysis of Change in PGA Factors

A more detailed analysis of the overall change in PGA rates is displayed on Enclosure 9. The overall change in the PGA rates has been subdivided into three components:

- Interstate Pipeline Transportation
- Natural Gas Cost
- Actual Cost Adjustment (ACA)

The overall PGA rates on the Northwest system remain the lowest of the three systems that EDG operates. This is primarily due to the lower interstate pipeline transportation cost associated with service on the Northwest system. The average interstate transportation rates on the South and North system range from \$.17 to \$.24 per Ccf, while those on the Northwest average close to \$0.12 per Ccf.

Hedging Activity

EDG's plans call for a combination of storage and financial instruments to fix the cost of natural gas acquisition for the upcoming winter season for each of the three systems as follows:

- South 57 percent
- North 100 percent
- Northwest 81 percent

Effective Date

EDG respectfully requests that these PGA rates become effective with volumes used on and after December 1, 2017.

Contact Information

Communications in regard to this filing should be addressed to the undersigned counsel and:

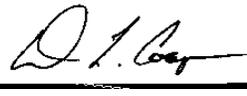
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Thank you for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By: 

Dean L. Cooper

Enclosures

cc: Office of General Counsel
Office of the Public Counsel