

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

In the Matter of The Empire)
District Gas Company's) Case No. GR-2023-0129
Purchased Gas Adjustment Tariff Filing)

RESPONSE TO COMMISSION ORDER

COMES NOW The Empire District Gas Company d/b/a Liberty ("EDG"), and for its Response to Commission Order, respectfully states as follows to the Missouri Public Service Commission ("Commission"):

1. EDG submitted its Purchased Gas Adjustment ("PGA") Actual Cost Adjustment ("ACA") filing for the 2021-2022 period in this case on November 4, 2022. This filing revised the ACA rates based on EDG's calculations of its ACA account balance.

2. On December 8, 2023, the Staff of the Commission ("Staff") filed a recommendation and memorandum regarding its review of EDG's 2021-2022 ACA filing. On December 13, 2023, the Commission issued its *Order Directing Response*, directing EDG to respond to Staff's recommendations by January 8, 2024.

3. As detailed in the memorandum attached hereto, EDG accepts Staff's analysis and recommendations, with the exception of Staff's proposed adjustment related to carrying costs for the Storm Uri balance. No adjustment should be made at this time to reflect any change in carrying costs. Liberty will work with Staff to attempt to reach agreement on this issue prior to the Company's next PGA filing (to be made November, 2024).

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

Respectfully submitted,

/s/ Diana C. Carter
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CERTIFICATE OF SERVICE

I hereby certify that the above document was filed in EFIS on this 8th day of January, 2024, with a copy sent to all counsel of record.

/s/ Diana C. Carter

2021-2022 PGA-ACA GR-2023-0129

EDG’S RESPONSE TO STAFF TECHNICAL DISCUSSION AND ANALYSIS

On December 8, 2023, the Staff of the Commission (Staff) filed its Staff Recommendation regarding the 2021-2022 Actual Cost Adjustment of The Empire District Gas Company (EDG) and an attached Memorandum (Staff Recommendation and Memorandum). This document set out the results of Staff’s analyses and recommendations concerning EDG’s 2021-2022 Actual Cost Adjustment (ACA) filing. On December 13, 2023, the Commission directed that EDG respond to the Staff Recommendation by January 8, 2024.

EDG will respond to the various issues identified by Staff in the following paragraphs. EDG’s response will reference the Staff Recommendation and Memorandum by use of the same section titles utilized by the Staff.

I. BILLED REVENUE AND ACTUAL GAS COSTS

ACA Balances

EDG agrees with Staff’s recommendation to correct the beginning ACA balances for each service area, as agreed to in the prior Case No. GR-2022-0127. The table below summarizes the adjustments accepted by the Company.

Reconciliation of Staff Adjustments 2020-2021 ACA Period			
System	Reported	Corrected	Adjustment
South	\$ 23,845,513.86	\$ 24,026,153.59	\$ 180,639.73
North	\$ 3,550,661.81	\$ 3,357,547.78	\$ (193,114.03)
Northwest	\$ 2,184,527.01	\$ 2,184,520.30	\$ (6.71)

Billed Revenues

Staff reviewed PGA/ACA rates on a sample of customer bills and found “all rates charged to natural gas consumers agreed with approved rates, without exception.”

Natural Gas Costs

Staff's testing of the Company's calculations and its reviews of invoices and other supporting documentation uncovered no differences.

Imbalances/Cash-outs

Staff's review determined that one transportation customer in the Company's South Service Area was incorrectly included in the North Service Area revenues. As noted by Staff, the Company corrected this reclassification in the amount of \$77,105.94 in March of 2022.

System	Transportation Revenues		
	Reported	Corrected	Adjustment
South	\$ 20,089,659.27	\$ 20,166,765.21	\$ (77,105.94)
North	\$ 5,433,550.58	\$ 5,356,444.64	\$ 77,105.94

Carrying (Interest) Costs

The Company disagrees with Staff's proposed adjustments to carrying costs. Staff recalculated carrying costs for the total net under recovered balance using prime rate less 2%, rejecting the Company's proposal to use pre-tax weighted average cost of capital (WACC). Staff's proposed impacts to carrying costs included in the ending ACA balance are summarized in the table below.

System	Carrying Costs		
	Reported	Corrected	Adjustment
South	\$ 1,669,808.21	\$ 418,719.51	\$ (1,251,088.70)
North	\$ 217,722.08	\$ 53,971.57	\$ (163,750.51)
Northwest	\$ 129,533.04	\$ 36,704.71	\$ (92,828.33)

The Company believes the extended recovery periods for Storm Uri necessitate a more accurate measure of the actual financing costs over the three and five-year terms. EDG continues to recommend that the Commission approve the Company's request to apply WACC in the amount of 8% to these gas costs.

II. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

On page 5 of the Staff Memorandum, Staff recommends the Company “continue to monitor its pipeline contracts and maintain an appropriate reserve margin for each service area.” The Company accepts this recommendation.

III. HEDGING

Staff recommends that EDG “continue to evaluate its hedging strategy in response to changing market dynamics as to how much the existing hedging strategy actually benefits its customers, while balancing market price risk.” Staff further recommends EDG continue evaluating more cost-effective financial instruments and the appropriate volumes associated with them when the market prices become relatively less volatile. The Company agrees with these recommendations.

IV. EDG’S RESPONSE TO ACA ACCOUNT BALANCES RECOMMENDED BY STAFF

On pages 7 and 8 of the Staff Memorandum, Staff recommends that the Commission issue an order requiring EDG to adjust the balances in its 2021-2022 ACA filing to reflect the ending (over)/under recovery balances for the ACA, Take-or-Pay, and Transition Cost per the following table:

Description + Under-recovery (-) Over-recovery	8-31-22 Ending Balances Per Filing	Staff Adjustments For 2021-2022 ACA	8-31-22 Staff Recommended Ending Balances
South System: Firm ACA	\$21,820,622.99	(\$1,147,554.91)	\$20,673,068.08
Interruptible ACA	\$0.00	\$0.00	\$0.00
Take-or-Pay (TOP)	\$0.00	\$0.00	\$0.00
Transition Cost (TC)	\$0.00	\$0.00	\$0.00
North System: Firm ACA	\$3,060,973.76	(\$279,758.60)	\$2,781,215.16
Interruptible ACA	\$0.00	\$0.00	\$0.00
Take-or-Pay (TOP)	\$0.00	\$0.00	\$0.00
Transition Cost (TC)	\$0.00	\$0.00	\$0.00

Northwest System: Firm ACA	\$2,254,060.89	(\$92,835.04)	\$2,161,225.85
Interruptible ACA	\$0.00	\$0.00	\$0.00
Take-or-Pay (TOP)	\$0.00	\$0.00	\$0.00
Transition Cost (TC)	\$0.00	\$0.00	\$0.00

EDG respectfully disagrees with Staff's recommendation to recalculate Storm Uri carrying costs using prime less 2%.