STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 9th day of January, 2007.

In the Matter of the Empire District Electric Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company	)))))	**Case No. ER-2006-0315**

ORDER SUPPLEMENTING AND CLARIFYING REPORT AND ORDER

Issue Date: January 9, 2007 Effective Date: January 19, 2007

On December 21, 2006, The Missouri Public Service Commission issued its Report and Order in this case. The Commission determined a supplement and clarification was needed in the following issue:

4. Regulatory Plan Amortizations: Should Empire's revenue requirement include regulatory plan amortizations? If so, (i) how should Empire's off-balance sheet obligations be valued for purposes of the amortizations and (ii) should the amortized amount be subject to an income tax gross-up?

The first sub-issue (i) was not adequately addressed in the Report and Order. The sub-issue was whether the March 31, 2006 discounted present values of the two purchased power contracts should be further adjusted by a 10% risk factor. The Office of Public Counsel (see Robertson Rebuttal at 23-24) asserts that the off-balance sheet obligations should be discounted back to their individual present values by applying a 10% risk factor. This would, according to the OPC, serve to determine the debt-equivalent value of each off-balance-sheet obligation.

The Staff notes that off-balance sheet obligations are considered fixed obligations (i.e., debt) by credit rating agencies for calculating leverage and coverage ratios and are included in credit rating agencies' analyses of debt levels. Standard and Poor's, in its Research Report dated May 18, 2006, established the current value of Empire's off-balance sheet obligations. The Staff notes that S&P makes numerous adjustments in its determination of that amount, including those necessary to bring the value current. To be conservative, Staff used that amount in its calculations, without further adjustment (see Oligschlager Supplemental Direct at 9-10).

Finding: We find the Staff's present calculation of the regulatory plan amortizations to be correct, including the use of the S&P valuation of off-balance sheet obligations without further adjustment. We find that the adjustment recommended by the OPC would result in an unreasonably low valuation of the off-balance sheet obligations.

Conclusion: The Commission concludes that the Staff's position on off-balance sheet obligations is reasonable and appropriate. As to the other sub-issues of regulatory plan amortizations, the Staff has revised its position and recalculated the amounts to be included in the regulatory plan amortizations. Having reviewed those revisions, the Commission finds the Staff's position to be reasonable. The Commission concludes that the total regulatory plan amortization amounts submitted by the Staff are appropriate.

IT IS ORDERED THAT:

1. The Commission supplements and clarifies its Report and Order issued on December 21, 2006, as stated above.

2 This order shall become effective on January 19, 2007.

BY THE COMMISSION

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, and Appling, CC., concur;
Gaw and Clayton, CC., dissent.

Dale, Chief Regulatory Law Judge