BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of The Empire District Electric Company to Implement a General Rate Increase for Retail Electric Service Provided to Customers in its Missouri Service Area.	))))	Case No. ER-2006-0315

PRELIMINARY RECONCILIATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and, pursuant to the ordered procedural schedule[1] in the above-referenced proceeding, the Staff files herewith a Preliminary Reconciliation.

Attached are the dollar values for two scenarios; *i.e.*, a) the "IEC Continuation Scenario" (Appendix A), under which the current IEC remains in effect, and b) the "IEC Termination Scenario" (Appendix B), under which the current IEC is terminated and replaced by a single-point value for the cost of fuel and purchased power.

The dollar values presented reflect The Empire District Electric Company's (Empire's") case as updated by Empire from its original February 1, 2006 filing and then the Staff's case based on its audit of Empire. Also reflected are corrections in the Staff's case filed on June 23, 2006, the combined effect of which amounts to an increase of approximately $6.9 million (under both scenarios). The increase results primarily from a double-counting of $5 million worth of revenues in the Staff's direct filing, the application of an incorrect allocation factor to "Taxes Other than Income Taxes, and the use of an incorrect interest rate to calculate interest expense for customer deposits.

[1] The Procedural Schedule calls for a filing of the Preliminary Reconciliation on June 30, 2006. On June 29, 2006, the Staff of the Commission, with no objection from the other parties, filed a pleading requesting additional time to make the filing.

The overall effect is to move the Staff's case under the IEC Continuation Scenario from a negative $22.9 million to a negative $16.0 million. In other words, based on the Staff's audit, Empire is over-recovering its revenue requirement excluding fuel and purchased power. Under the IEC Termination Scenario, the Staff's case moved from a positive $4.05 million to a positive $10.95 million. Because, under this scenario Empire would cease collecting approximately $8.5 million annually in IEC revenues, the actual net revenue requirement increase for Empire determined by Staff would be less than $2.5 million ($10.95 million minus $8.5 million).

The Staff also notes that the values shown in the Preliminary Reconciliation do not reflect the effects of possible amortizations that might be required to restore certain financial ratios to benchmark levels pursuant to the Stipulation And Agreement approved by the Commission in the Empire regulatory plan, Case No. EO-2005-0263. Thus, the amortizations that might be required to restore certain financial ratios to benchmark levels pursuant to said Stipulation And Agreement might eliminate some or all of the over-recovery that the Staff is presently showing for Empire under the Staff's IEC Continuation Scenario. As noted in its direct filing, the Staff expects to discuss any such effects in supplemental direct testimony to be filed later this month.

As preliminary reconciliations, these documents reflect items that will be discussed in next week's scheduled settlement conference, which may ultimately be settled among the parties. Failure to reflect a particular issue in these documents is not intended to prevent any party from raising later, in this proceeding, issues that previously have been identified and are still being discussed, such as the Case No. EO-2005-0263 regulatory plan amortizations, renewable energy credits, and whether or not customer loads in the fuel models associated with on-system sales to municipals should be factored up for load growth.

Respectfully submitted,

/s/ Dennis L. Frey

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 7th day of July 2006.

/s/ Dennis L. Frey

Empire District Electric Company
ER-2006-0315
Revenue Requirement Reconcilement
IEC Continuation Scenario

Line No.				
1	Company Revenue Requirement Per Reconciliation			**35,996,087**
2	Difference due to Tax Conversion Factor - Rounding Difference			
3	**Company Revenue Requirement**			**35,996,087**
4				
5	Rate of Return & Capital Structure			
6	Value of Capital Structure Issue - Staff / Company		19,386	
7	Capital Structure impact on Interest Expense Deduction		$16,709	
8	Rev. Req. Value of Return on Equity		($11,937,675)	
9	Sub-Total Rate of Return and Capital Structure Differences			($11,901,580)
10				
11	Rate Base Issues :			
12	Disallowance of Plant	(363,205)		
13	Adjust AFUDC Costs for Plant	(7,718)		
14	Disallowance of Reserve	7,721		
15	Adjust AFUDC Costs for Reserve	164		
16	*Sub Total E&C Cost Overruns*		(363,038)	
17	RWIP		(151,549)	
18	Cash Working Capital		(167,368)	
19	Prepayments		(131,376)	
20	Prepaid Pension Asset		(413,331)	
21	Customer Demand Programs		(8,757)	
22	Deferred Income Taxes		(267,314)	
23	Update Plant to March 31, 2006	(309,743)		
24	Plant not at Issue	323,787		
25	Update Reserve to March 31, 2006	376,688		
26	Depr. Reserve not at issue	254,584		
	Amortization of Electric Plant	(631,592)		
	Sub Total Unreconciled Differences		13,724	
27	Sub Total - Rate Base Issues			($1,489,008)
28				
29	Income Statement - Revenue Issues			
30	Allocation of Taxes Other Than Income Tax		$0	
31	Eliminate Unbilled Revenues		($498,520)	
32	Customer Growth Adjustment		($665,989)	
33	Eliminate IEC Revenues		($101,312)	
34	Rate Increase Adjustment		($663,635)	
35	Weather Normalization		($2,905,936)	
36	Off-System Sales Normalization		($1,231,013)	
37	Eliminate Water Revenue		($10,746)	
38	Sub Total - Revenue Adjustments			($6,077,151)
39				
40	Income Statement - Expense Issues			
41	Total Oper.& Maint. Expense - Unadjusted		(303,683)	
42	Annualized Variable Production Fuel Costs	0		
43	Annualization of Purchased Power for Energy Charges	(26,754,233)		
44	*Subtotal Fuel and Purchase Power-Energy Costs*		(26,754,233)	
45	Annualize Interest Expense for Customer Deposits		60,284	
46	Annualize Banking Fees		(202,333)	
47	Annualize Outside Services		(286,944)	
48	Annualize Rate Case Expense		(125,000)	
49	Proprty Taxes - EC 3&4 Cost Overruns		(28,789)	
50	Customer Demand Program		(5,500)	
51	Annualize Payroll Taxes		(127,328)	
52	Payroll Annualization		(1,759,640)	
53	Incentive Compensation		(206,180)	
54	Pensions & OPEBS		592,512	
55	Maintenance Expense		(1,370,265)	
56	Dues & Donations		(70,335)	
57	Meals		155	
58	401 (k)		(24,228)	
59	Health Insurance		(1,029,273)	
60	Life Insurance		(141,705)	
61	Sub Total - Expense Adjustments			($31,782,483)
62				
63	Income taxes			
64	State Tax Flow-Through		(211,692)	
65	Deferred Income Tax		(562,906)	
66	Sub Total - Income Tax Differences			($774,598)
67				
68	Total Value of All Issues			($52,024,821)
69				
70	Unreconciled Difference/Rounding			($1)
71				
72	**Staff Revenue Requirement**			**($16,028,735)**
73				

Appendix A

74	OPC Issues			
75	Rev. Req. Value of Return on Equity		1,476,417	
76	Rev. Req. Value of Capital Structure - OPC / Staff		(2,533,731)	
77	Capital Structure impact on Interest Expense Deduction			
78	Sub-Total Rate of Return and Capital Structure Differences			(1,057,314)
79				
80	Rate Base Issues :			
81	Sub Total - Rate Base Issues			-
82				
83	Income Statement - Revenue Issues			
84	Off-System Sales		211,367	
85	Sub Total - Revenue Adjustments			211,367
86				
87	Income Statement - Expense Issues			
88	Storm Damage Expense		(174,299)	
	ELIP Program Expense	(1)	(100,000)	
89	Sub Total - Expense Adjustments			(274,299)
90				
91	Total Value of All Issues			(1,120,246)
92				
93	**OPC Revenue Requirement**			($17,148,981)
94				
95	Praxair / Explorer Pipeline Issues			
96	Income Statement - Expense Issues			
97	Fuel/Purchased Power Expense	(2)		

(1) If OPC's proposed modifications to the ELIP program design are not accepted, then OPC proposes to eliminate further funding for the program in rates so there should be an $150,000 adjustment that would lower the annual funding amount to $0.

(2) It is the position of Explorer and Praxair (Industrials) that the IEC should remain in effect until the end of its 3 year term. Based on an understanding that Empire's claimed fuel and variable purchased power cost in the updated figures is $117.4 million, Industrials would propose a decrease of $20.5 million to reflect what the IEC collects. If, over the objections of Industrials, the Commission permits Empire to abandon the IEC, Industrials would propose a reduction of the claimed costs by $16.6 million to more accurately reflect proforma cost levels. (In this case additional reductions may be warranted to properly reflect the level of spot purchased power costs as proposed by Staff.)

Empire District Electric Company
ER-2006-0315
Revenue Requirement Reconcilement
IEC Termination Scenario

Line No.				
1	Company Revenue Requirement Per Reconciliation			**35,996,087**
2	Difference due to Tax Conversion Factor - Rounding Difference			
3	**Company Revenue Requirement**			**35,996,087**
4				
5	Rate of Return & Capital Structure			
6	Value of Capital Structure Issue - Staff / Company		19,386	
7	Capital Structure impact on Interest Expense Deduction		$0	
8	Rev. Req. Value of Return on Equity		($11,937,675)	
9	Sub-Total Rate of Return and Capital Structure Differences			($11,918,289)
10				
11	Rate Base Issues :			
12	Disallowance of Plant	(363,205)		
13	Adjust AFUDC Costs for Plant	(7,718)		
14	Disallowance of Reserve	7,721		
15	Adjust AFUDC Costs for Reserve	164		
16	*Sub Total E&C Cost Overruns*		(363,038)	
17	RWIP		(151,549)	
18	Cash Working Capital		(68,395)	
19	Prepayments		(131,376)	
20	Prepaid Pension Asset		(413,331)	
21	Customer Demand Programs		(8,757)	
22	Deferred Income Taxes		(267,314)	
23	Update Plant to March 31, 2006	(309,743)		
24	Plant not at Issue	323,787		
25	Update Reserve to March 31, 2006	376,688		
26	Depr. Reserve not at issue	254,584		
27	Amortization of Electric Plant	(631,592)		
28	*Sub Total Unreconciled Differences*		13,724	
29	Sub Total - Rate Base Issues			($1,390,033)
30				
31	Income Statement - Revenue Issues			
32	Booked Revenue - Unadjusted		$0	
33	Eliminate Unbilled Revenues		($498,520)	
34	Customer Growth Adjustment		($665,989)	
35	Eliminate IEC Revenues		$8,665,335	
36	Rate Increase Adjustment		($663,635)	
37	Weather Normalization		($2,905,936)	
38	Off-System Sales Normalization		($1,231,013)	
39	Eliminate Water Revenue		($10,746)	
40	Sub Total - Revenue Adjustments			$2,689,496
41				
42	Income Statement - Expense Issues			
43	Allocation of Taxes Other Than Income Tax		(303,683)	
44	Annualized Variable Production Fuel Costs	0		
45	Annualization of Purchased Power for Energy Charges	(8,613,754)		
46	*Subtotal Fuel and Purchase Power-Energy Costs*		(8,613,754)	
47	Annualize Interest Expense for Customer Deposits		60,284	
48	Annualize Banking Fees		(202,333)	
49	Annualize Outside Services		(286,944)	
50	Annualize Rate Case Expense		(125,000)	
51	Proprty Taxes - EC 3&4 Cost Overruns		(28,789)	
52	Customer Demand Program		(5,500)	
53	Annualize Payroll Taxes		(127,328)	
54	Payroll Annualization		(1,759,640)	
55	Incentive Compensation		(206,180)	
56	Pensions & OPEBS		592,512	
57	Maintenance Expense		(1,370,265)	
58	Dues & Donations		(70,335)	
59	Meals		155	
60	401 (k)		(24,228)	
61	Health Insurance		(1,029,273)	
62	Life Insurance		(141,705)	
63	Sub Total - Expense Adjustments			($13,642,004)
64				
65	Income Taxes			
66	State Tax Flow-Through		(211,692)	
67	Cost of Removal		(562,906)	
68	Sub Total - Income Tax Differences			($774,598)
69				
70	Total Value of All Issues			($25,035,429)
71				
72	Unreconciled Difference/Rounding			($1)
73				
74	**Staff Revenue Requirement**			**$10,960,657**
75				

Appendix B

76	OPC Issues			
77	Rev. Req. Value of Return on Equity		1,478,173	
78	Rev. Req. Value of Capital Structure - OPC / Staff		(2,536,746)	
79	Capital Structure impact on Interest Expense Deduction			
80	Sub-Total Rate of Return and Capital Structure Differences			(1,058,572)
81				
82	Rate Base Issues :			
83	Sub Total - Rate Base Issues			-
84				
85	Income Statement - Revenue Issues			
86	Off-System Sales		211,367	
87	Sub Total - Revenue Adjustments			211,367
88				
89	Income Statement - Expense Issues			
90	Storm Damage Expense		(174,299)	
	ELIP Program Expense	(1)	(100,000)	
91	Sub Total - Expense Adjustments			(274,299)
92				
93	Total Value of All Issues			(1,121,504)
94				
95	**OPC Revenue Requirement**	(2)		$9,839,152
96				
97	Praxair / Explorer Pipeline Issues			
98	Income Statement - Expense Issues	(3)		
99	Fuel/Purchased Power Expense			

(1) If OPC's proposed modifications to the ELIP program design are not accepted, then OPC proposes to eliminate further funding for the program in rates so there should be an $150,000 adjustment that would lower the annual funding amount to $0.

(2) OPC has proposed an additional adjustment to variable production fuel costs to account for costs associated with non-recurring PRB coal delivery problems if such costs were reflected in Empire's filed case. At the time of this reconciliation, OPC is still waiting for Empire's response to OPC DR No. 5040 which should reveal whether such costs were actually included in Empire's filed case.

(3) It is the position of Explorer and Praxair (Industrials) that the IEC should remain in effect until the end of its 3 year term. Based on an understanding that Empire's claimed fuel and variable purchased power cost in the updated figures is $117.4 million, Industrials would propose a decrease of $20.5 million to reflect what the IEC collects. If, over the objections of Industrials, the Commission permits Empire to abandon the IEC, Industrials would propose a reduction of the claimed costs by $16.6 million to more accurately reflect proforma cost levels. (In this case additional reductions may be warranted to properly reflect the level of spot purchased power costs as proposed by Staff.)