

**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)	Case No. ER-2006-0315
Rate Increase for Retail Electric Service Provided)	
to Customers in its Missouri Service Area.)	

JOINT RECOMMENDATION REGARDING TRUE-UP

COME NOW The Staff ("Staff") of the Missouri Public Service Commission ("Commission"), the Office of the Public Counsel ("Public Counsel"), Praxair, Inc. ("Praxair"), Explorer Pipeline Company ("Explorer") and the Missouri Department of Natural Resources ("DNR"), and respectfully state as follows:

1. On February 1, 2006, The Empire District Electric Company ("Empire" or "Company") filed with the Commission proposed tariff sheets bearing an effective date of March 3, 2006, which are designed to produce a gross annual revenue increase of \$29,513,713 for electric service provided to retail customers in Empire's Missouri service area

2. On February 7, 2006, the Commission issued its Suspension Order And Notice, Order Setting Hearings, and Order Directing Filing. Among other things, the Commission directed that Empire file by February 21, 2006 its recommendation regarding the proper test year, and that Empire "must file any request for a true-up audit and hearing in a separate pleading, concurrent with its test year recommendation." The Commission further directed the Staff, Public Counsel, and any persons or entities requesting intervention to file by March 7, 2006: a) a pleading either indicating concurrence with Empire's recommended test year or recommending alternatives thereto; and b) a separate pleading concerning their recommendation regarding a true-up.

3. Applications to intervene were filed by Kansas City Power & Light Company

(“KCPL”) and by Praxair and Explorer¹ on February 24, 2006; by Aquila, Inc. (“Aquila”) on February 27, 2006; and by DNR on March 2, 2006. The Commission has yet to rule on these applications.

4. On February 17, 2006, Empire timely filed its Recommendation For Proper Test Year, wherein the Company recommended that the Commission establish the twelve months ended December 31, 2005 as the test year in this proceeding, with an update period for known and measurable changes through March 31, 2006. Empire did not file a pleading recommending a true-up audit and hearing in this case.

5. In a pleading being filed in conjunction with the instant pleading, the undersigned stated their concurrence with Empire’s recommended test year and update period². Furthermore, the undersigned believe that, given the recent high prices in fuel (especially natural gas) that have caused significant increases in fuel and purchased power expense, scheduling of a true-up audit and hearing is appropriate in this case. In addition, the proposed acquisition of the Aquila Missouri gas properties will very likely result in significant changes to allocations³. The undersigned therefore propose a true-up of fuel expense and other significant revenue requirement elements for the three-month period ending June 30, 2006. In particular, the following items should be subject to the true-up. The list is designed to maintain the proper revenue-expense- rate base match at a proper point in time.

¹ The joint application of Praxair and Explorer was provisional in light of the Commission’s approval of the Stipulation And Agreement in Case No. EO-2005-0263 (“Agreement”), which provided that these companies, as signatories to that Agreement, “shall be considered as having sought intervenor status in any rate case or rate filings without the necessity of filing an application to intervene and Empire consents in advance to such interventions.”

² KCPL and Aquila also joined in that concurrence pleading.

³ The parties to that case (Case No. GO-2006-0205) filed their Unanimous Stipulation And Agreement on February 28, 2006.

Rate Base

- 1) Plant in service growth
- 2) Depreciation reserve
- 3) Deferred taxes
- 4) Fuel inventories
- payroll related benefits and
- 5) Cash working capital: annualized amounts
- 6) Materials and supplies
- 7) Prepayments
- 8) Advances and contributions
- 9) Customer deposits
- 10) Income tax offset
- 11) Interest expense offset
- 12) Allocation factors

Income Statement

- 1) Revenues and kWh sales from customer
- 2) Margin from off-system sales
- 3) Uncollectibles
- 4) Payroll - employee levels, current rates
payroll taxes
- 5) Fuel prices
- 6) Purchased power prices
- 7) System loads
- 8) Fuel/purchased power expense
- 9) Rate case expense and MPSC assessment
- 10) Depreciation expense
- 11) Property taxes (if applicable and appropriate)
- 12) Income tax effects of trued-up items
- 13) Allocation factors

Rate of Return/Capital Structure

- 1) Rate of Return calculation (excludes return on equity)
- 2) Capital Structure

6. In the event that any party to this proceeding later concludes that a true-up of Empire's revenue requirement through June 2006 will not result in a material change to Empire's revenue requirement, such party is able to petition the Commission for a cancellation of the true-up procedures at that time.

Respectfully submitted,

/s/ Dennis L. Frey

Dennis L. Frey, Mo. Bar No. 44697
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
(573) 751-8700
(573) 751-9285 (fax)
e-mail: denny.frey@psc.mo.gov

Attorney for the Staff of the
Missouri Public Service Commission

/s/ Stuart W. Conrad by DLF

Stuart W. Conrad, Mo. Bar No. 23966
Finnegan, Conrad & Peterson, L.C.
3100 Broadway, Suite 1209
Kansas City, MO 64111
(816) 753-1122
(816) 756-0373 (fax)
e-mail: stucon@fcplaw.com

Attorney for Praxair, Inc.
And Explorer Pipeline Company

/s/ Lewis R. Mills, Jr. by DLF

Lewis R. Mills, Jr., Mo. Bar No. 35275
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102-7800
(573) 751-1304
(573) 751-5562 (fax)
e-mail: lewis.mills@ded.mo.gov

Attorney for the
Office of the Public Counsel

/s/ Shelley A. Woods by DLF

Shelley A. Woods, Mo. Bar No. 33525
Assistant Attorney General
P.O. Box 899
Jefferson City, MO 65102
(573) 751-8795
(573) 751-8464
e-mail: Shelley.Woods@ago.mo.gov

Attorney for the
Missouri Department of Natural Resources

Certificate of Service

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

/s/ Dennis L. Frey

