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. |) | |

RECONCILIATIONS

Comes now the Staff of the Missouri Public Service Commission (Staff) and pursuant to the Commission's April 11, 2006 Order Concerning Test Year And True-Up And Adopting Procedural Schedule files the Revenue Requirement Reconciliation IEC Continuation Scenario and the Revenue Requirement Reconciliation IEC Termination Scenario. The Staff asks leave to file the Reconciliations after the 4:00 p.m. deadline set by the Commission. The Staff also advises the Commission that it will request leave to late file on Monday, August 28, 2006 the List Of Issues, Schedule Of Issues, Order Of Witnesses And Order Of Cross-Examination. Undersigned counsel apologizes for the delay in making these filings.

Respectfully submitted,

/s/ Steven Dottheim

Steven Dottheim Chief Deputy General Counsel Missouri Bar No. 29149

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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 25th day of August 2006.

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| ER-2006-0315 Revenue Requirement Reconciliation EC Continuation Scenario | | Empire District Electric Company | | |
|--|---------|--|-----------------------|----------------|
| IEC Continuation Scenario | | | | |
| Line No. 200mpany Revenue Requirement 26,692,512 23 Rate of Return & Capital Structure 4 Rev. Req. Value of Return and Capital Structure Differences 5 Sub-Total Rate of Return and Capital Structure Differences 6 Rate Base Issues: 7 Rate Base Issues: 8 Customer Demand Programs 9 Sub Total - Rate Base Issues 9 Off-System Margin Normalization 10 Income Statement - Revenue Issues 11 Income Statement - Expense Issues 12 Customer Demand Program 13 Income Statement - Expense Issues 14 Income Statement - Expense Issues 15 Fuel and Purchased Power Costs 16 Fuel and Purchased Power Costs 17 Customer Demand Program 18 Income Statement - Statemen | | | | |
| Company Revenue Requirement 28,692,512 | Line No | | | |
| Rate of Return & Capital Structure Rev. Req. Value of Return on Equity Sub-Total Rate of Return and Capital Structure Differences (\$10,800,942) | _ | | | 26 692 512 |
| Rate of Return & Capital Structure Return on Equity Sub-Total Rate of Return and Capital Structure Differences Sub-Total Rate of Return and Capital Structure Differences Rate Base Issues : | | Company Revenue Requirement | | 20,002,012 |
| 4 Rev. Req. Value of Return on Equity (\$10,800,942) 5 Sub-Total Rate of Return and Capital Structure Differences (\$10,800,942) 6 Rate Base Issues: (\$1,900,942) 7 Rate Base Issues: (\$7,376) 9 Sub Total - Rate Base Issues (\$7,376) 10 Income Statement - Revenue Issues (\$1,193,729) 11 Income Statement - Expense Issues (\$1,193,729) 12 Coff-System Margin Normalization (\$1,193,729) 13 Sub Total - Revenue Adjustments (\$2,593,653) 14 Income Statement - Expense Issues (\$2,593,653) 15 Incentive Compensation (\$1,006,813) 16 Fuel and Purchased Power Costs (\$26,005,035) 20 Total Value of All Issues (\$38,607,082) 21 Total Value of All Issues (\$38,607,082) 22 Unreconciled Difference/Rounding (\$11,914,580) 23 Unreconciled Difference/Rounding (\$1,914,580) 24 Staff Revenue Requirement (\$1,000,000) 25 Staff Revenue Requireme | | Rate of Return & Capital Structure | | |
| 5 Sub-Total Rate of Return and Capital Structure Differences (\$10,800,942) 6 Rate Base Issues : | | | (\$10,800,942) | |
| 7 Rate Base Issues: (7,376) 8 Customer Demand Programs (57,376) 9 Sub Total - Rate Base Issues (57,376) 10 Income Statement - Revenue Issues (\$1,193,729) 11 Income Statement - Revenue Adjustments (\$1,193,729) 13 Sub Total - Revenue Adjustments (\$2,593,653) 15 Income Statement - Expense Issues (25,593,653) 16 Fuel and Purchased Power Costs (25,593,653) 17 Customer Demand Program (4,570) 18 Incentive Compensation (1,008,813) 20 Incentive Compensation (\$38,607,082) 21 Total Value of All Issues (\$38,607,082) 22 Unreconciled Difference/Rounding (\$10 23 Staff Revenue Requirement (\$11,914,580) 24 Staff Revenue Requirement (\$11,914,580) 25 Staff Revenue Requirement (\$11,914,580) 26 Nortal Rate of Return on Equity 477,340 27 OPC Issues (\$10,008,50) 28 Rev. Req. Value of Capital Structure Differences (\$987,181) 30 Off-System Sales (\$0,503,500) 31 Income Statement - Expense Issues (\$10,000) 32 Unital - Reven | 5 | | | (\$10,800,942) |
| 8 Customer Demand Programs (7,376) 9 Sub Total - Rate Base Issues (\$7,376) 10 Income Statement - Revenue Issues (\$1,193,729) 12 Off- System Margin Normalization (\$1,193,729) 13 Sub Total - Revenue Adjustments (\$1,93,729) 14 Income Statement - Expense Issues (\$25,593,653) 16 Fuel and Purchased Power Costs (\$25,593,653) 17 Customer Demand Program (4,570) 18 Incentive Compensation (\$26,605,035) 19 Sub Total - Expense Adjustments (\$38,607,082) 21 Total Value of All Issues (\$38,607,082) 22 Unreconciled Difference/Rounding (\$10) 24 Staff Revenue Requirement (\$11,914,580) 26 Rev. Req. Value of Return on Equity 477,340 27 Rev. Req. Value of Return and Capital Structure Differences (\$1,164,521) 31 Income Statement - Revenue Issues 100,885 32 Off- System Sales 100,885 33 Off- System Sales (1,000,00 | 6 | | | |
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| Income Statement - Revenue Issues | | Sub Total - Rate Base Issues | | (\$7,376) |
| 12 | | Leaves Obstances Decreased to the | | |
| Sub Total - Revenue Adjustments | | | (\$4.402.700 <u>)</u> | |
| 15 | | | (\$1,193,729) | (\$1.102.720) |
| Income Statement - Expense Issues (25,593,653) | | Sub Total - Revenue Adjustments | | (\$1,193,729) |
| Fuel and Purchased Power Costs | | Income Statement - Expense Issues | | |
| Customer Demand Program | | · | (25.593.653) | |
| Incentive Compensation | | | | |
| Total Value of All Issues | 18 | | | |
| Total Value of All Issues | 19 | Sub Total - Expense Adjustments | | (\$26,605,035) |
| Unreconciled Difference/Rounding | | | | |
| Unreconciled Difference/Rounding (\$10) 24 | | Total Value of All Issues | | (\$38,607,082) |
| Staff Revenue Requirement | | 11.15% | | (0.40) |
| 25 Staff Revenue Requirement (\$11,914,580) 26 OPC Issues 477,340 28 Rev. Req. Value of Return on Equity 477,340 29 Rev. Req. Value of Capital Structure - OPC / Staff (1,464,521) 30 Sub-Total Rate of Return and Capital Structure Differences (987,181) 31 Income Statement - Revenue Issues 100,885 33 Off-System Sales 100,885 34 Sub Total - Revenue Adjustments 100,885 35 Income Statement - Expense Issues (1) (100,000) 38 ELIP Program Expense (1) (100,000) 39 Sub Total - Expense Adjustments (986,296) 40 Total Value of All Issues (986,296) 41 OPC Revenue Requirement (\$12,900,866) 43 Praxair / Explorer Pipeline Issues (2) | | Unreconciled Difference/Rounding | | (\$10) |
| 26 27 OPC Issues 28 Rev. Req. Value of Return on Equity 29 Rev. Req. Value of Capital Structure - OPC / Staff 29 Sub-Total Rate of Return and Capital Structure Differences 30 Uncome Statement - Revenue Issues 31 Off-System Sales 32 Income Statement - Revenue Adjustments 33 Off-System Sales 34 Sub Total - Revenue Adjustments 35 Income Statement - Expense Issues 36 Income Statement - Expense Adjustments 37 ELIP Program Expense 38 Sub Total - Expense Adjustments 39 (100,000) 30 Sub Total Value of All Issues 40 OPC Revenue Requirement 41 (\$12,900,866) 42 Praxair / Explorer Pipeline Issues 43 Income Statement - Expense Issues 44 Praxair / Explorer Pipeline Issues 45 Income Statement - Expense Issues | | Staff Pavanua Paguirament | | (\$11.917.580) |
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| 39 40 Total Value of All Issues 41 42 OPC Revenue Requirement 43 44 Praxair / Explorer Pipeline Issues 45 Income Statement - Expense Issues (986,296) (986,296) (\$12,900,866) | _ | | (1) (100,000) | (100,000) |
| 40 Total Value of All Issues (986,296) 41 42 OPC Revenue Requirement (\$12,900,866) 43 44 Praxair / Explorer Pipeline Issues 45 Income Statement - Expense Issues (2) | | | | (100,000) |
| 42 OPC Revenue Requirement (\$12,900,866) 43 44 Praxair / Explorer Pipeline Issues 45 Income Statement - Expense Issues (2) | 40 | Total Value of All Issues | | (986,296) |
| 43 44 Praxair / Explorer Pipeline Issues 45 Income Statement - Expense Issues (2) | 41 | | | |
| 44 Praxair / Explorer Pipeline Issues 45 Income Statement - Expense Issues (2) | | OPC Revenue Requirement | | (\$12,900,866) |
| 45 Income Statement - Expense Issues (2) | | | | |
| | | | (0) | |
| | | | (2) | |
| TO I delli dichased Fower Expense | 40 | ruenruicilaseu rowei expelise | | |

⁽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 its rebuttal testimony is \$115.3 million, Industrials would propose a decrease of \$18.4 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 \$9.934 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 | | | | |
|----------|--|---------------------------------|----------------|--|--|
| | Reve | enue Requirement Reconciliation | | | |
| Line No. | | IEC Termination Scenario | | | |
| 1 | Company Revenue Requirement | | 26,799,437 | | |
| 2 | . P. 3 | | -, -, - | | |
| 3 | Rate of Return & Capital Structure | | | | |
| 4 | Rev. Req. Value of Return on Equity | (\$10,815,121) | | | |
| 5 6 | Sub-Total Rate of Return and Capital Structure Differences | | (\$10,815,121) | | |
| 7 | Rate Base Issues : | | | | |
| 8 | Customer Demand Programs | (7,376) | | | |
| 9 | Sub Total - Rate Base Issues | | (\$7,376) | | |
| 10 | | | , | | |
| 11 | Income Statement - Revenue Issues | | | | |
| 12 | Eliminate IEC Revenues | \$8,766,647 | | | |
| 13 | Off-System Margin Normalization | (\$1,193,729) | | | |
| 14 15 | Sub Total - Revenue Adjustments | | \$7,572,918 | | |
| 16 | Income Statement - Expense Issues | | | | |
| 17 | Annualized Variable Production Fuel Costs - Gas | (4,465,088) | | | |
| 18 | Gas Capacity Release Revenues | (108,217) | | | |
| 19 | Unwinding of Forward Gas - Contract | (858,624) | | | |
| 20 | Subtotal Fuel and Purchase Power-Energy Costs | (5,431,929) | | | |
| 21 | Customer Demand Program | (4,570) | | | |
| 22 | Incentive Compensation | (1,006,813) | | | |
| 23 24 | Sub Total - Expense Adjustments | | (\$6,443,312) | | |
| 24 25 | Total Value of All Issues | | (\$9,692,891) | | |
| 26 | Total Value of 7th loods | | (ψ0,002,001) | | |
| 27 | Unreconciled Difference/Rounding | | (\$10) | | |
| 28 | | | | | |
| 29 | Staff Revenue Requirement | (1) | \$17,106,537 | | |
| 30 31 | OPC Issues | | | | |
| 32 | Rev. Req. Value of Return on Equity | 477,967 | | | |
| 33 | Rev. Reg. Value of Capital Structure - OPC / Staff | (1,466,443) | | | |
| 34 | Sub-Total Rate of Return and Capital Structure Differences | | (988,477) | | |
| 35 | · | | , | | |
| 36 | Income Statement - Revenue Issues | | | | |
| 37 | Off-System Sales | 100,885 | - | | |
| 38 39 | Sub Total - Revenue Adjustments | | 100,885 | | |
| 39 40 | Income Statement - Expense Issues | | | | |
| 41 | ELIP Program Expense | (2) (100,000) | | | |
| 42 | Sub Total - Expense Adjustments | (-)(100,5000) | (100,000) | | |
| 43 | · | | , | | |
| 44 | Total Value of All Issues | | (987,592) | | |
| 45 | ODO Danas a Danas transport | | 040.440.055 | | |
| 46 47 | OPC Revenue Requirement | | \$16,118,955 | | |
| 48 | Praxair / Explorer Pipeline Issues | | | | |
| 49 | Income Statement - Expense Issues | (3) | | | |
| 50 | Fuel/Purchased Power Expense | • • | | | |
| | | | | | |

- (1) The Staff's Revenue Requirement of \$17,106,357 is an "apples to oranges" comparison to Empire's case and must be adjusted to properly reflect the differences. Empire filed revised electric rate schedules designed to increase the Company's annual electric revenues by approximately \$29,513,713. (The rate schedules would have generated \$38,179,048 in additional revenue to base rates, but the filing included the **elimination** of the IEC which produced \$8,665,335 in annual revenue. As a consequence, the net increase is \$29,513,713). After updating the test year, stipulating to certain items and eliminating the IEC the Company proposes to increase its annual electric revenues by \$26,799,437. The Staff's reconciliation, however, shows on line 31 the additional revenues needed (revenue requirement) in comparison to revenues currently received (base rates <u>plus</u> IEC income). For proper comparison purposes, the IEC income of \$8,766,647 should be subtracted from the Staff's base rate increase. This would reduce the Staff's total base rate increase to \$8,339,890. As a consequence, the total base rate increase difference between the Company and Staff under the IEC termination scenario is \$18,459,547 (\$26,799,437 minus \$8,339,890).
- (2) 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.
- (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 its rebuttal testimony is \$115.3 million, Industrials would propose a decrease of \$18.4 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 \$9.934 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.)