

**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

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102-0360  
(573) 751-7489 (Telephone)  
(573) 751-9285 (Fax)  
e-mail: [steve.dottheim@psc.mo.gov](mailto:steve.dottheim@psc.mo.gov)

**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.

**/s/ Steven Dottheim**

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

Line No.			
1	<b>Company Revenue Requirement</b>		<b>26,692,512</b>
2			
3	Rate of Return & Capital Structure		
4	Rev. Req. Value of Return on Equity	<u>(\$10,800,942)</u>	
5	Sub-Total Rate of Return and Capital Structure Differences		(\$10,800,942)
6			
7	Rate Base Issues :		
8	Customer Demand Programs	<u>(7,376)</u>	
9	Sub Total - Rate Base Issues		(\$7,376)
10			
11	Income Statement - Revenue Issues		
12	Off-System Margin Normalization	<u>(\$1,193,729)</u>	
13	Sub Total - Revenue Adjustments		(\$1,193,729)
14			
15	Income Statement - Expense Issues		
16	Fuel and Purchased Power Costs	(25,593,653)	
17	Customer Demand Program	(4,570)	
18	Incentive Compensation	<u>(1,006,813)</u>	
19	Sub Total - Expense Adjustments		(\$26,605,035)
20			
21	Total Value of All Issues		(\$38,607,082)
22			
23	Unreconciled Difference/Rounding		(\$10)
24			
25	<b>Staff Revenue Requirement</b>		<b>(\$11,914,580)</b>
26			
27	OPC Issues		
28	Rev. Req. Value of Return on Equity	477,340	
29	Rev. Req. Value of Capital Structure - OPC / Staff	<u>(1,464,521)</u>	
30	Sub-Total Rate of Return and Capital Structure Differences		(987,181)
31			
32	Income Statement - Revenue Issues		
33	Off-System Sales	<u>100,885</u>	
34	Sub Total - Revenue Adjustments		100,885
35			
36	Income Statement - Expense Issues		
37	ELIP Program Expense	(1) <u>(100,000)</u>	
38	Sub Total - Expense Adjustments		(100,000)
39			
40	Total Value of All Issues		(986,296)
41			
42	<b>OPC Revenue Requirement</b>		<b>(\$12,900,866)</b>
43			
44	Praxair / Explorer Pipeline Issues		
45	Income Statement - Expense Issues	(2)	
46	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) 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  
Revenue Requirement Reconciliation  
IEC Termination Scenario

Line No.			
1	<b>Company Revenue Requirement</b>		<b>26,799,437</b>
2			
3	Rate of Return & Capital Structure		
4	Rev. Req. Value of Return on Equity	<u>(\$10,815,121)</u>	
5	Sub-Total Rate of Return and Capital Structure Differences		(\$10,815,121)
6			
7	Rate Base Issues :		
8	Customer Demand Programs	<u>(7,376)</u>	
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	<u>(\$1,193,729)</u>	
14	Sub Total - Revenue Adjustments		\$7,572,918
15			
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	<u>(858,624)</u>	
20	Subtotal Fuel and Purchase Power-Energy Costs		(5,431,929)
21	Customer Demand Program	(4,570)	
22	Incentive Compensation	<u>(1,006,813)</u>	
23	Sub Total - Expense Adjustments		(\$6,443,312)
24			
25	Total Value of All Issues		(\$9,692,891)
26			
27	Unreconciled Difference/Rounding		(\$10)
28			
29	<b>Staff Revenue Requirement</b>	(1)	<b>\$17,106,537</b>
30			
31	OPC Issues		
32	Rev. Req. Value of Return on Equity	477,967	
33	Rev. Req. Value of Capital Structure - OPC / Staff	<u>(1,466,443)</u>	
34	Sub-Total Rate of Return and Capital Structure Differences		(988,477)
35			
36	Income Statement - Revenue Issues		
37	Off-System Sales	<u>100,885</u>	
38	Sub Total - Revenue Adjustments		100,885
39			
40	Income Statement - Expense Issues		
41	ELIP Program Expense	(2) <u>(100,000)</u>	
42	Sub Total - Expense Adjustments		(100,000)
43			
44	Total Value of All Issues		(987,592)
45			
46	<b>OPC Revenue Requirement</b>		<b>\$16,118,955</b>
47			
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 the revenues currently received (base rates plus 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.)