

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

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-2008-0093

**STAFF RECOMMENDATION REGARDING TEST YEAR AND TRUE-UP**

Comes now the Staff of the Missouri Public Service Commission (Staff) and for its recommendation regarding the appropriate test year and true up, states as follows:

1. On October 1, 2007, The Empire District Electric Company (Empire) filed proposed tariff sheets with the Commission with an effective date of October 31, 2007.

The tariff sheets are designed to produce a gross annual revenue increase of \$34,725,203 for electric service to retail customers in Empire's Missouri service area.

2. On October 3, 2007, the Commission issued a Suspension Order and Notice directing the parties to state their positions regarding Empire's true-up and test year proposals. The Commission also seeks recommendations regarding the number, date, time and location of local public hearings to be held.

3. Empire proposes a test year ending June 30, 2007, updated for known and measurable changes. Empire requests a true-up audit with an ending date of December 31, 2007.

4. Based upon Empire's filed direct testimony and discussions with Empire personnel, the primary event driving Empire's request for a true-up in this proceeding is the expected completion of a Selective Catalytic Reduction (SCR) addition at the Asbury generating station. The SCR project is projected to be completed and in service by the

end of November 2007. There are additional revenue requirement changes which Empire is seeking to recover in this proceeding that may be incurred as late as the end of December 2007.

5. The Staff concurs with Empire's recommendation for a test year in this proceeding consisting of the twelve months ending June 30, 2007.

6. Along with ordering a specific test year, the Commission typically orders the use of a "test year update period" in rate proceedings. The purpose of a test year update period is to establish a cut-off point to which major elements of a utility's revenue requirement are to be updated beyond the test year for inclusion in the Staff's and other parties' direct case. In this proceeding, the Staff recommends a test year update period consisting of the six months from July 2007 through December 2007. Ending the update period at December 31, 2007 is appropriate in this instance as December 2007 financial data is the last set of monthly financial data that will be available for review and audit by the Staff and other non-Empire parties prior to filing of direct testimony by the non-Empire parties in this proceeding.

7. A "true-up" is a re-audit and update of major elements of a utility's revenue requirement beyond the end of the ordered test year and test year update period that preserves a proper matching of revenues, expenses, and rate base. The Commission has on occasion ordered use of true-up audits in rate proceedings when a utility incurs or expects to incur material revenue requirement changes after the end of the test year and test year update periods but prior to the operation-of-law date. When ordered, true-ups involve the filing of additional sets of testimony and the scheduling of additional evidentiary hearings beyond the main evidentiary hearings ordered by the Commission.

In this case, the Staff does not believe a true-up audit will be necessary because the Staff's and other non-Empire parties' direct testimony filings will reflect all material events affecting Empire's revenue requirement through December 31, 2007, including the planned addition of the Asbury SCR equipment. Empire has not identified in its direct testimony any material impacts to its revenue requirement beyond December 2007 for which it seeks recovery in rates in this case.

8. The Staff recommends a test year ending June 30, 2007, with a test year update period ending December 31, 2007, be ordered for this proceeding.

9. The Staff does not believe that a true-up will be necessary in this case if the above test year and test year update recommendation is accepted.

10. With regard to local public hearings, the Staff defers to the Office of the Public Counsel for locations, dates and times.

11. In anticipation of Monday, November 5, 2007's early prehearing conference, Staff's initial proposal for a procedural schedule includes the following dates:

Direct Testimony - Revenue Requirement Non-Empire Parties	Feb. 22, 2008
Direct Testimony - Rate Design Non-Empire Parties	March 7, 2008
Settlement Conference	March 17-21, 2008
Rebuttal Testimony – All Parties Revenue Requirement and Rate Design	April 4, 2008
Surrebuttal and Cross-Surrebuttal Testimony All Parties – Revenue Requirement and Rate Design	April 25, 2008
Issue List/Reconciliation	May 2, 2008
Statements of Positions	May 7, 2008

Wherefore, Staff Counsel on behalf of Staff prays that the Commission establish a test year ending June 30, 2007, with an update period ending December 31, 2007.

Respectfully submitted,

**/s/ Steven C. Reed**

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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 31st day of October, 2007.

**/s/ Steven C. Reed**