

Exhibit No.: 2 NP  
Issue: Accounting Schedules, True-up period  
and Fuel Adjustment  
Witness: W. Scott Keith  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Empire District Electric  
Case No.  
Date Testimony Prepared: October 2007

**Before the Public Service Commission  
of the State of Missouri**

**Direct Testimony**

**of**

**W. Scott Keith**

**October 2007**

Empire Exhibit No. 2 NP  
Case No(s) ER-2008-0083  
Date 5-12-08 Rptr KF

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OF  
W. SCOTT KEITH  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION

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DIRECT TESTIMONY  
OF  
W. SCOTT KEITH  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO.

1 **INTRODUCTION**

2 **Q. STATE YOUR NAME AND ADDRESS PLEASE.**

3 A. My name is W. Scott Keith and my business address is 602 Joplin Street, Joplin,  
4 Missouri.

5 **POSITION**

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am presently employed by The Empire District Electric Co. ("Empire" or "the  
8 Company") as the Director of Planning and Regulatory. I have held this position  
9 since August 1, 2005. Prior to joining Empire I was Director of Electric  
10 Regulatory Matters in Kansas and Colorado for Aquila, Inc. from 1995 to July  
11 2005.

12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND FOR THE**  
13 **COMMISSION.**

14 A. In August 1973, I received a Bachelor of Business Administration degree with a  
15 major in Accounting at Washburn University, Topeka, Kansas.

16 **Q. WHAT EXPERIENCE HAVE YOU HAD IN THE FIELD OF PUBLIC**  
17 **UTILITIES?**

18 A. In 1973, I accepted a position in the firm of Troupe Kehoe Whiteaker & Kent as a

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1 staff accountant. I assisted in or was responsible for fieldwork and preparation of  
2 exhibits for rate filings presented to various regulatory commissions and audits  
3 leading to opinions on financial statements of various types of companies including  
4 utility companies.

5 In September 1976, I accepted a position with the staff of the Kansas Corporation  
6 Commission ("KCC"). My responsibilities at the KCC included the investigation  
7 of utility rate applications and the preparation of exhibits and presentation of  
8 testimony in connection with applications that were under the jurisdiction of the  
9 KCC. The scope of the investigations I performed on behalf of the KCC included  
10 the areas of accounting, cost of service and rate design.

11 In March of 1978, I joined the firm of Drees Dunn & Company and continued to  
12 perform services for various utility clients with that firm until it dissolved in March  
13 of 1991.

14 From March of 1991 until June of 1994, I was self-employed as a utility consultant  
15 and continued to provide clients with analyses of revenue requirements, cost of  
16 service studies and rate design. In connection with those engagements I also  
17 provided expert testimony and exhibits to be presented before regulatory  
18 commissions.

19 As I mentioned earlier, I was employed by Aquila, Inc. as the Director of  
20 Regulatory for its electric operations in Kansas and Colorado from 1995 to July  
21 2005.

22 **Q. HAVE YOU PREVIOUSLY PARTICIPATED IN ANY REGULATORY**  
23 **PROCEEDINGS?**

1 A. Yes, I have. I have testified before regulatory commissions in the states of Kansas,  
2 Colorado, Indiana, Missouri and West Virginia. I have also testified before the  
3 Federal Energy Regulatory Commission ("FERC").

4 **PURPOSE**

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. My testimony will support various schedules containing financial and other  
7 information included in this filing, which support the Company's proposed rate  
8 increase. In addition, I will describe the Company's fuel adjustment clause  
9 ("FAC") proposal, proposal to implement a tracking mechanism to recover the  
10 incremental cost associated with the implementation of new Commission  
11 vegetation management rule and discuss the Company's proposed "True-up"  
12 period.

13 **Q. WHAT TEST YEAR DID THE COMPANY USE IN DETERMINING RATE**  
14 **BASE, OPERATING INCOME AND RATE OF RETURN?**

15 A. The schedules included in this filing are based on the twelve months ending June  
16 30, 2007, adjusted for known and measurable changes.

17 **SUPPORTING SCHEDULES**

18 **Q. WHAT SCHEDULES ARE YOU SPONSORING?**

19 A. I am sponsoring the following portions of the filing:

- 20 • Section C, Schedule 1, Comparative and Summary Information  
21 • Section D, Schedule 1, Rate Base and Rate of Return  
22 • Section E, Schedule 1, Electric Plant in Service by Primary Plant Account

- 1       • Section F, Schedule 1, Accumulated Provision for Depreciation of Electric Plant in
- 2       Service
- 3       • Section G, Schedule 1, Page 1, Working Capital
- 4       • Section G, Schedule 1, Page 2, Materials and Supplies without Adjustments
- 5       • Section G, Schedule 1, Page 3, Prepayments with Adjustments
- 6       • Section G, Schedule 1, Page 4, Prepaid Interest
- 7       • Section G, Schedule 2, Cash Working Capital
- 8       • Section G, Schedule 3, Page 1, Income Tax Gross-up Factor
- 9       • Section G, Schedule 3, Page 2, Income Tax Lag
- 10      • Section G, Schedule 3, Page 3, Interest Expense Lag Calculation
- 11      • Section G, Schedule 3, Page 4, Calculation of Interest Offset and Income Tax
- 12      Offset
- 13      • Section H, Schedule 1, Capital Structure
- 14      • Section H, Schedule 2, Preferred Capital Stock
- 15      • Section H, Schedule 3, Long Term Debt
- 16      • Section H, Schedule 8, Capital Costs
- 17      • Section J, Schedule 1, Test-Year Utility Operating Income Statements and
- 18      Adjustments
- 19      • Section J, Schedule 2, Explanation of Adjustments to Test-Year Revenues and
- 20      Expenses
- 21      • Section K, Schedule 1, Depreciation Rates and Accruals
- 22      • Section K, Schedule 2, Page 1, Normalized Depreciation Expense

- 1       • Section K, Schedule 2, Page 4, Summary of Depreciation and Amortization
- 2       • Section L, Schedule 1, Taxes Charged to Electric Operations
- 3       • Section L, Schedule 2, Page 1, Calculation of Provision for Income Taxes Payable
- 4       for Twelve Months Ended June 30, 2007
- 5       • Section L, Schedule 2, Page 2, Calculation of Deferred Income Taxes for Twelve
- 6       Months Ended June 30, 2007
- 7       • Section M, Schedule 1, Jurisdictional Allocation of Property and Expenses
- 8       • Section M, Schedule 2, Page 1, Jurisdictional Allocation of Rate Base
- 9       • Section M, Schedule 2, Page 4, Jurisdictional Allocation of Revenue and Expenses

10   **Q.   WERE THESE SCHEDULES PREPARED UNDER YOUR SUPERVISION**  
11       **AND DIRECTION?**

12   A.   Yes, they were.

13   **Q.   PLEASE DESCRIBE SECTION C, SCHEDULE 1.**

14   A.   Section C, Schedule 1 is a summary of certain key data for the test year and  
15       comparison of this data with similar data from Empire's most recent electric rate  
16       case, Case No. ER-2006-0315. As indicated, Empire is requesting an increase of  
17       \$34.7 million in Missouri jurisdictional revenue, or 10.1 percent above current rate  
18       revenues, in this rate case. This increase will result in an overall rate of return of  
19       9.36 percent and a return on equity of 11.6 percent. By far the biggest factor  
20       driving the rate case is the increase in investment in production plant at Riverton  
21       and Asbury that has taken place since the last rate case. In addition, this rate case  
22       includes a request for recovery of the expenses the Company incurred as a result of

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1 the massive ice storm in early 2007. The increase in production plant investment is  
2 associated with the completion of a new generating unit at Riverton, Unit 12 and  
3 the installation of Selective Catalytic Reduction ("SCR") at our Asbury generating  
4 unit. The investment in the new unit at Riverton totaled around \$40 million and the  
5 investment associated with the SCR at Asbury is expected to be \$31 million. In  
6 addition to the major investment in production facilities the Company made in  
7 2007, the Company was forced to make an investment in new transmission and  
8 distribution facilities of in excess of \$19 million as a result of the ice storm that hit  
9 Empire's service area in January 2007. The Company also continues to make  
10 substantial investments in the construction of new coal fired generating stations,  
11 Iatan II and Plum Point. As of the end of the test year the investment in these two  
12 projects was \$61.8 million. Finally, the Commission's rules require the Company  
13 to file a general rate case when the Company requests the implementation of a fuel  
14 adjustment clause, 4 CSR 240-3.161, and Empire is seeking to implement an FAC  
15 mechanism as part of this rate case.

16 **Q. PLEASE DESCRIBE SECTION D, SCHEDULE 1, RATE BASE AND RATE**  
17 **OF RETURN.**

18 A. Section D, Schedule 1 details the Company's electric rate base and rate of return  
19 before and after the proposed rate increase. For the test year ending June 30, 2007,  
20 end of period balances are used for electric plant in service and reserve for  
21 depreciation, adjusted for the addition of the SCR at Asbury. Materials and  
22 supplies and prepayments are the average of the thirteen consecutive month-end  
23 balances ending June 30, 2007. Regulatory assets adjusted for known and

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1 measurable changes were included. This includes a regulatory asset for the 2007  
2 Ice Storm expenses. In addition, the cash working capital requirement that is based  
3 on adjusted income has been added to rate base. Offsets to the rate base are also  
4 displayed on Section D, Schedule 1. These include: deferred income taxes,  
5 Investment Tax Credit balances pre-1971, customer deposits, customer advances,  
6 interest synchronization offset, and an income tax offset.

7 The total original cost electric rate base is \$733,148,974 (Line 14) which is  
8 multiplied by the required rate of return of 9.36% to arrive at an after tax operating  
9 income requirement of \$68,622,744 (Line 20). This operating income requirement  
10 is subtracted from the Company's adjusted operating income of \$47,228,069 (Line  
11 15) and results in the after tax operating income deficiency of \$21,394,675 (Line  
12 17) or the pre-tax revenue deficiency of \$34,725,203 (Line 19) which was  
13 requested in the filing with the Commission.

14 **Q. PLEASE DESCRIBE SECTION E, SCHEDULE 1, ELECTRIC PLANT IN**  
15 **SERVICE BY PRIMARY PLANT ACCOUNT.**

16 A. Section E, Schedule 1, Pages 1 and 2 display by classified functional electric plant  
17 in service groups, the original cost of electric plant used and useful at June 30,  
18 2006 and 2007. Total electric plant in service at June 30, 2007, is \$1,403,936,496  
19 (Column E) and \$1,205,543,927 for the portion representing Empire's Missouri  
20 retail jurisdiction (Column F). This balance includes an adjustment to include the  
21 new SCR at the Asbury generating station that is scheduled to be completed and go  
22 into service in November 2007. This adjustment is displayed in column D. In  
23 addition, column D displays the adjustment made to reflect the allocation of

1 common plant to the Empire District Gas Company of \$1,697,159.

2 **Q. PLEASE DESCRIBE SECTION F, SCHEDULE 1.**

3 A. Section F, Schedule 1 is a statement of accumulated provision for depreciation of  
4 electric plant in service showing balances by functional plant groups at June 30,  
5 2006 and 2007. The total accumulated provision for depreciation of electric plant  
6 in service at the end of the test year is \$501,225,243 (Column E) and \$432,592,741  
7 for our Missouri jurisdiction (Column F). These balances have been adjusted to  
8 reflect the impact of the ice storm (\$1,887,636) and the allocation of common  
9 general plant to the Empire District Gas Company (\$787,144). Both of these  
10 adjustments are displayed in Column D.

11 **Q. PLEASE EXPLAIN SECTION G, SCHEDULE 1 THROUGH SCHEDULE 3.**

12 A. Section G, Schedule 1 computes test year amounts of materials and supplies using a  
13 13-month average. Prepayments are also calculated based on a 13-month average.  
14 Section G, Schedule 2 computes projected cash working capital for the twelve  
15 months ended June 30, 2007. The expense and revenue lag for each component is  
16 the same as used by the Staff in the most recent Empire electric rate case, Case No.  
17 ER-2006-0315. The computation, using normalized test year expenses and  
18 revenues, results in a cash working capital requirement of \$3,668,671. Section G,  
19 Schedule 3 calculates the Company's income tax gross-up factor as well as cash  
20 working capital associated with income taxes and interest expense. In addition, the  
21 calculations are shown for interest and income tax offsets to rate base.

22 **Q. PLEASE DESCRIBE SECTION H, SCHEDULE 1.**

23 A. Section H, Schedule 1 displays a summary of the capital structure of the Company

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1 as of June 30, 2007 and an adjusted capital structure using 51.31 percent equity,  
2 44.15 percent long-term debt and 4.53 percent Trust Preferred Securities. The  
3 adjusted capital structure includes the impact of the capital market transactions that  
4 are scheduled to take place prior to the end of calendar year 2007. The return on  
5 common equity has been set at 11.6 percent which is proposed by Empire witness  
6 Dr. James H. Vander Weide. Based on an 11.6 percent return on equity and the  
7 Company's adjusted capital structure, the Company's overall requested return on  
8 rate base is 9.36 percent.

9 **Q. PLEASE DESCRIBE SECTION H, SCHEDULE 2.**

10 A. Section H, Schedule 2 lists the Company's trust preferred stock, which was issued  
11 March 1, 2001.

12 **Q. PLEASE EXPLAIN SECTION H, SCHEDULE 3.**

13 A. Section H, Schedule 3 lists each series of the Company's first mortgage bonds  
14 outstanding along with any associated unamortized expense, discount and premium  
15 at June 30, 2007.

16 **Q. WHAT IS CONTAINED IN SECTION H, SCHEDULE 4?**

17 A. Section H, Schedule 4, details Empire's capital structure for first mortgage bonds  
18 and trust preferred securities. It shows an embedded rate of 6.81 percent for first  
19 mortgage bonds. The rate for the trust preferred series is 8.89 percent.

20 **Q. PLEASE DESCRIBE SECTION J, SCHEDULE 1.**

21 A. Section J, Schedule 1 is a test year income statement with adjustments to normalize  
22 test year electric operations. Column A reflects total Company results for the  
23 twelve months ending June 30, 2007. Column B summarizes adjustments to total

1 Company electric operations. Column C is the total Company income statement as  
2 adjusted for purposes of this rate case. Column D reflects the as recorded Missouri  
3 jurisdictional results for twelve months ending June 30, 2007. Column E displays  
4 the Missouri jurisdictional electric operating statement adjustments and Column F  
5 summarizes the as adjusted Missouri jurisdictional income statement. As indicated,  
6 after the posting of the various adjustments to the Missouri jurisdictional  
7 operations, the current rates are expected to produce \$47,228,069 in Net Operating  
8 Income ("NOI") or an overall return on rate base of 6.44 percent.

9 **Q. PLEASE DISCUSS SECTION J, SCHEDULE 2.**

10 A. Section J, Schedule 2 summarizes the following adjustments to the electric  
11 operations test year amounts as shown on Section J, Schedule 1: Total Company  
12 and Missouri revenues are adjusted to reflect customer numbers at June 30, 2007,  
13 normal weather for the test year, to exclude water related revenues, to eliminate a  
14 discount given to a large industrial customer, to annualize excess facilities revenue,  
15 to reclassify the gain associated with the sale of emission allowances, eliminate the  
16 impact of franchise fees and to reflect a full year of the rate increase granted by the  
17 Commission in ER-2006-0315. In addition, off-system sales revenue has been  
18 adjusted to reflect a five-year average. The year-end customer adjustment  
19 annualizes the revenues to reflect what would have been received if the year-end  
20 level of customers had been served by the Company for the entire test year. Mr.  
21 Mark Quan of Itron will describe the weather normalization adjustment in greater  
22 detail in his direct testimony and Ms. Jayna Long of Empire will explain the retail  
23 revenue adjustments in greater detail in her direct testimony including the process

1           used to adjust the Missouri jurisdictional sales for customer growth and weather.

**ADJUSTMENTS TO COST OF SERVICE**

2   **Q.   PLEASE EXPLAIN THE ADJUSTMENTS TO EXPENSES.**

3   A.   Total Company production costs have been increased by \$15,540,804 which factors  
4       down to \$12,855,204 for the Missouri retail jurisdiction. Included in this total are  
5       several adjustments related to the normalization of production operating and  
6       maintenance related to Asbury and Riverton 12 for \$3,096,430 and Operating Plant  
7       Service Agreement ("OPSA") amortization of \$151,484. Empire witness Mr.  
8       Mertens will explain these adjustments in detail in his testimony. Also included is  
9       an adjustment to normalize test year payroll costs. This adjustment increases the  
10      pro forma production expense for the Company by a total of \$285,100 with  
11      \$235,646 related to the Missouri jurisdictional portion of production expenses. The  
12      adjusted payroll expense included in the filing reflects the wages at June 28, 2007,  
13      adjusted for known changes, positions that are currently authorized but unfilled and  
14      the union increase that will occur in October 2007. Fuel and purchased power  
15      costs have been normalized to reflect customer growth, weather, and future fuel  
16      and energy prices. Mr. Tarter will discuss this adjustment in greater detail in his  
17      direct testimony. The fuel and purchased power energy adjustment resulted in an  
18      increase in total production expense of \$12,007,791 with \$9,924,906 attributable to  
19      the Company's Missouri jurisdictional operations. As I noted at the outset, the fuel  
20      and energy costs are an important part of this rate case due to our request to  
21      implement an FAC. In total, Empire's fuel and purchased power expenses  
22      represent the most significant operating costs that Empire faces. These two

1 expense categories represent approximately 64 percent of total operating expenses  
2 on an as adjusted basis.

3 **Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO THE**  
4 **TRANSMISSION EXPENSE LEVELS.**

5 A. The Missouri jurisdictional transmission expenses were increased by \$37,500 to  
6 reflect the annualized payroll costs.

7 **Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO THE**  
8 **DISTRIBUTION EXPENSES.**

9 A. Missouri jurisdictional distribution expenses were increased by \$189,644 to reflect  
10 the annualized payroll costs. In addition, the distribution expenses were adjusted to  
11 reflect Empire's request for a five-year amortization of the expenses related to the  
12 January 2007 ice storm. The adjustment related to Empire's ice storm amortization  
13 proposal was a reduction to distribution expense of \$2,058,623 on a total company  
14 basis and a reduction in distribution expenses of 1,847,899 on a Missouri  
15 jurisdictional basis.

16 **Q. PLEASE CONTINUE WITH AN EXPLANATION OF THE ADJUSTMENTS**  
17 **MADE TO CUSTOMER ACCOUNTS EXPENSE.**

18 A. Missouri jurisdictional customer accounts expense was adjusted to reflect an  
19 increase in payroll expense of \$83,401. In addition, Missouri jurisdictional  
20 customer accounts expense was increased to reflect the recent increase in postage  
21 costs of \$36,850.

22 **Q PLEASE DESCRIBE THE ADJUSTMENT MADE TO CUSTOMER**  
23 **ASSISTANCE AND SALES EXPENSES.**

1     A     Each of the expense levels in these areas was increased to reflect the ongoing level  
2           of payroll costs. Specifically, Missouri jurisdictional customer assistance was  
3           increased by \$20,948 and Missouri jurisdictional sales expense was increased by  
4           \$5,688. In addition, the Customer assistance operating expenses have been  
5           adjusted to annualize the cost and accounting treatment associated with Empire's  
6           currently authorized demand-side management programs and the changes requested  
7           in the current Experimental Low Income Program ("ELIP"). The adjustment  
8           related to DSM and ELIP is a reduction in operating expenses of \$296,201. Empire  
9           witness Ms. McCormack will explain this adjustment in detail in her direct  
10          testimony.

11    **Q.     PLEASE DESCRIBE THE ADJUSTMENTS MADE TO ADMINISTRATIVE**  
12          **AND GENERAL EXPENSES.**

13    A.     Missouri jurisdictional administrative and general expenses were decreased by a  
14           total of \$1,069,689 through a series of ten (10) adjustments. Of the total, \$96,311  
15           was associated with decrease in 401(k) costs. In addition, the ongoing FAS 87 and  
16           FAS 106 costs based upon the tracking accounting agreed to in the last rate case  
17           resulted in a decrease in Missouri jurisdictional costs of \$1,777,899. The method  
18           used to calculate the adjustments for FAS 87 and FAS 106 are discussed in the  
19           direct testimony of Empire witness Ms. Delano. Common stock expenses were  
20           amortized over three years resulting in an increase in Missouri expenses of  
21           \$900,657. Missouri jurisdictional administrative and general expenses have been  
22           increased by \$167,945 to reflect adjusted payroll expense. Missouri jurisdictional  
23           administrative and general expenses were increased by \$55,328 to reflect the

1 current level of the Commission's annual assessment. Missouri jurisdictional  
2 outside services expenses were increased \$8,990 to reflect the impact of Empire's  
3 2007 Integrated Resource Plan ("IRP") and Empire's request to amortize IRP costs  
4 over three years. This adjustment reflects an estimated 2007 IRP cost of \$215,000  
5 and a three year amortization period. This adjustment also involves the  
6 establishment of a deferred asset account to capture the actual cost of the periodic  
7 IRP filings so that they can be amortized over a three-year period. Empire is  
8 requesting authorization from the Commission to establish this IRP deferral  
9 account and permission to amortize IRP costs over three years. In addition,  
10 Missouri jurisdictional administrative and general expenses have been increased  
11 \$24,947 to reflect Empire's new employee dental and vision insurance program.  
12 The Missouri jurisdictional administrative and general expenses have been reduced  
13 by \$144,904 to annualize the impact of Empire's common cost allocations to the  
14 Empire District Gas Company. Rate case expenses were also decreased by  
15 \$208,443 to reflect the costs associated with the current rate case and an  
16 amortization period of two years for the cost of the current rate case.

17 **Q. WHY IS A TWO-YEAR AMORIZATION PERIOD FOR THE RATE CASE**  
18 **EXPENSES APPROPRIATE IN THIS RATE CASE?**

19 A. A two-year amortization period closely reflects the period in which the rates  
20 coming out of this case will be in effect. This is due to the expected start-up of the  
21 Iatan II and Plum Point generating stations in the summer of 2010. The start-up of  
22 these units will trigger the filing of a general rate case in 2009 with an operation of  
23 law date planned to coincide with the start-up of the new generating stations, the

1 early summer of 2010. The rates coming out of this rate case will go into effect  
2 around September 1, 2008 and are expected to remain in place until June of 2010,  
3 or approximately 21 months.

4 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO DEPRECIATION EXPENSE.**

5 A. The Depreciation expense adjustment resulted in an increase of \$4,577,603 and  
6 \$3,931,368 for the total Company and the Missouri jurisdiction, respectively. The  
7 increase incorporates the results of the depreciation study performed for Empire by  
8 Mr. Donald Roff of Depreciation Specialty Resources, and the depreciation  
9 expense increase associated with the major increase in investment made by Empire  
10 during 2007 (Riverton 12, Asbury SCR and Ice Storm costs). Mr. Roff discusses  
11 the results of a new depreciation study that the Company has commissioned so that  
12 Empire will remain in compliance with the Commission's rules on periodic  
13 depreciation studies, in his direct testimony in this rate case. In addition to the  
14 depreciation expense, the amortization expense has been increased by \$5,234,614  
15 to reflect a full year of the Regulatory Amortization authorized in ER-2006-0315.

16 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF SECTION J,**  
17 **SCHEDULE 2.**

18 A. Taxes other than income taxes have been increased by \$722,451 for the total  
19 Company or \$620,360 for the Missouri jurisdiction to reflect the impact of plant in  
20 service at June 30, 2007 on ad valorem taxes. In addition Missouri jurisdictional  
21 taxes other than income have been adjusted upward by \$207,461 to include the  
22 impact of the projected change in payroll taxes due to the annualized payroll  
23 expense. Lastly, 100 percent of the Franchise Fees Empire pays have been

1 eliminated from taxes other than income.

2 The next five adjustments to the statement of operations are related to income taxes  
3 as a result of the adjustments that were made above and also to adjust book income  
4 taxes to income taxes calculated on a Missouri regulatory basis.

5 The last adjustment involves interest on customer deposits and is made to move the  
6 interest associated with these deposits above the line, which is consistent with past  
7 practices in Empire's rate cases in Missouri.

8 **Q. IN SOME INSTANCES, THE ADJUSTMENTS FOR THE MISSOURI**  
9 **JURISDICTION AND TOTAL COMPANY ARE THE SAME; WOULD**  
10 **YOU PLEASE EXPLAIN?**

11 A. Several of the adjustments are calculated for the Missouri jurisdiction only for  
12 purposes of this case, which is why some of the adjustments are the same. For  
13 example, rate case expense was calculated for the Missouri jurisdiction only.

14 **Q. WILL YOU PLEASE DESCRIBE SECTION K, SCHEDULE 1?**

15 A. Section K includes the plant investment information and related depreciation rates  
16 used to calculate the adjustment associated with depreciation expense. Section K,  
17 Schedule 1, Column A lists, by plant account number, the authorized depreciation  
18 rates. Columns B and C show the total Company and Missouri jurisdictional test  
19 year depreciation accruals.

20 **Q. PLEASE DESCRIBE SECTION K, SCHEDULE 2.**

21 A. Section K, Schedule 1 displays the depreciation accrued during the test year.  
22 Section K, Schedule 2 displays Empire's normalized depreciation expense using  
23 electric plant in service at June 30, 2007 and the proposed depreciation rates. Page

1 3 of Section K, Schedule 2 is a summary of the depreciation accruals and expense  
2 adjustments. It shows the proposed Missouri jurisdictional depreciation expense  
3 adjustment of \$3,931,368. The proposed depreciation rates are being supported by  
4 Empire witness Mr. Roff.

**JURISDICTIONAL ALLOCATIONS**

5 **Q. PLEASE DESCRIBE SECTION L OF THE SUPPORTING SCHEDULES.**

6 A. Section L displays the information necessary to properly reflect the ongoing level  
7 of income taxes for purposes of this rate case. It consists of one summary schedule,  
8 Schedule 1 and two detail schedules, Schedule 2, page one and page 2, which  
9 contain the information necessary to develop the ongoing income tax levels.  
10 Schedule 1 is a statement of taxes charged to electric operations including the  
11 effects of the pro forma adjustments on the test year operations. In Schedule 2  
12 income taxes have been added to net income to arrive at net operating income  
13 before income taxes. From this point, the income before income taxes is adjusted  
14 to take into account various additions and deductions from income to arrive at  
15 taxable income. In addition, Schedule 2 displays the calculation of federal and  
16 Missouri income taxes payable for the twelve months ending June 30, 2007, the  
17 test year Empire has utilized in this filing. Lines 22 and 26 (Column F) include the  
18 current portion of total federal and Missouri state income taxes charged to electric  
19 operations for determining the rate of return.

20 **Q. PLEASE DESCRIBE THE JURISDICTIONAL ALLOCATION FACTORS**  
21 **DISPLAYED IN SECTION M OF THE SUPPORTING SCHEDULES.**

22 A. Section M, Schedule 1 contains a summary description of the Empire jurisdictional

1 allocation process and some of the basic reasons a particular allocation factor is  
2 utilized. It explains what allocations are necessary and defines the allocation  
3 factors used for allocating rate base, revenue and expense. In general, the types of  
4 jurisdictional allocation factors used in this rate case are identical to those used in  
5 ER-2006-0315, the most recent rate case. Of course, the values used to derive the  
6 jurisdictional allocation factors have been updated to reflect the current test year  
7 values. In addition, the impact of the June 2006 acquisition of the Aquila gas  
8 properties in Missouri, including the current cost allocation process used to allocate  
9 Empire common expenses between operations, primarily electric and natural gas,  
10 have been taken into account in this rate case.

11 **Q. WHAT METHOD WAS USED TO DERIVE EMPIRE'S JURISDICTIONAL**  
12 **DEMAND ALLOCATION FACTORS?**

13 A. The average of twelve monthly coincident peak demands by jurisdiction was used  
14 to jurisdictionally allocate production and transmission costs.

15 **Q. WHY HAS THE COMPANY ELECTED TO USE THIS METHOD FOR**  
16 **JURISDICTIONAL DEMAND ALLOCATIONS?**

17 A. During prior rate proceedings, as well as in our last electric rate proceeding, the  
18 Commission accepted the use of the average monthly coincident peaks for  
19 jurisdictional allocations. Additionally, this method has been used by our other  
20 four jurisdictions for jurisdictional allocations. The Company needs to keep the  
21 jurisdictional allocations consistent between our service territories to ensure full  
22 allocation of production and transmission costs.

23 **Q. PLEASE GIVE A BRIEF DESCRIPTION OF THE AVERAGE OF**

1       **TWELVE MONTHLY COINCIDENT PEAK DEMAND ALLOCATION**  
2       **METHOD.**

3    A.    The monthly coincident peak (CP) demands for the test year are determined for the  
4       following jurisdictions: (a) Missouri wholesale; (b) Kansas wholesale; (c)  
5       Missouri retail; (d) Kansas retail; (e) Oklahoma retail; and (f) Arkansas retail. An  
6       average of the monthly CP demands is calculated for each of the above  
7       jurisdictions. These average monthly CP demands are then used to allocate  
8       production and transmission costs to each of the Company's jurisdictions, see  
9       Section M Schedule 2 attached to this testimony.

10   **Q.   HOW WERE THE MONTHLY COINCIDENT DEMANDS BY**  
11       **JURISDICTION OBTAINED?**

12   A.    In 1980, the Company installed metering at points where transmission and  
13       distribution lines crossed state boundaries. The demand readings at the time of  
14       monthly system peak for each of the metering points are combined with generation  
15       and tie line data to calculate the jurisdictional demands.

16   **Q.   PLEASE DESCRIBE SECTION M, SCHEDULE 2.**

17   A.    Empire operates as an integrated company in contiguous areas of Kansas, Missouri,  
18       Oklahoma and Arkansas. With very few exceptions, the Company's operations and  
19       costs are uniform throughout its service area and allocations of property and  
20       expenses are made only for the purpose of presenting the results of operations by  
21       individual state. These allocations are consistent with prior rate cases filed by the  
22       Company.

23       Section M, Schedule 2 shows the many components of rate base, revenue and

1 expense as they are allocated to the various ratemaking jurisdictions under which  
2 we operate. The dollar amounts and percentages applicable to each jurisdiction are  
3 shown for each item, as well as a reference to the item number in this schedule that  
4 serves as the basis for allocation of the total Company dollar amount. Such  
5 allocations are necessary for a determination of net electric operating income by  
6 state in order to derive a rate of return on rate base for each state.

**LOSS STUDY**

7 **Q. HAS THE COMPANY CONDUCTED A STUDY TO DETERMINE LOSS**  
8 **PERCENTAGES AT THE VARIOUS VOLTAGE LEVELS?**

9 A. Yes, the Company retained the services of Management Applications Consulting,  
10 Inc., to perform a loss study in 2006. The results of this study were reported to us  
11 in March of 2007. This loss study derived losses for the following service levels by  
12 jurisdiction: (a) transmission/substation load and no-load; (b) distribution primary  
13 load and no-load; and (c) distribution secondary load and no-load. The results of  
14 this study were used to develop separate FAC factors for the customers served at  
15 and above primary voltage and those customers served below primary voltage.

**PROPOSED TARIFFS**

16 **Q. HOW IS THE COMPANY PROPOSING TO SPREAD THE REQUESTED**  
17 **INCREASE AMONG ITS CURRENT RATES?**

18 A. Due to the very short life of the rates coming out of the last rate case, ER-2006-  
19 0315, Empire has proposed to spread the rate increase to all of the charges in its  
20 tariffs in the form of an across-the-board increase, with an equal percentage  
21 increase to each rate class. The across-the-board approach to rate design in this

1 rate case also fits in with the plan to file a class cost of service study in our 2009  
2 rate application and address rate design as part of the 2010 filing.

**FUEL ADJUSTMENT CLAUSE**

3 **Q. PLEASE DESCRIBE THE FAC TARIFF THE COMPANY IS PROPOSING**  
4 **IN THIS CASE.**

5 A. The Company's proposed FAC tariff has been included in the proposed tariffs as  
6 Section 4 – Riders, Sheet 17. As indicated, the tariff sheet describes just how the  
7 proposed FAC mechanism will work. I have attached a copy of the proposed FAC  
8 tariff sheet to my testimony as Schedule WSK-3. Several of the major features of  
9 the tariff are:

- 10 • Changes in the FAC factor will be based upon 95 percent of the difference  
11 between the cost of fuel and energy that is built into base rates and the actual  
12 cost of fuel and energy;
- 13 • Costs included in the FAC calculation will be based upon the actual Missouri  
14 jurisdictional historical expenses recorded in FERC accounts 501, 547 and 555,  
15 including the cost/benefits associated with Empire's fuel hedging program. In  
16 addition, the FAC will include the recovery of emission allowance costs (sulfur  
17 dioxide) recorded in FERC account 509;
- 18 • Costs included in the FAC calculation will exclude the capacity charges  
19 associated with purchased power contracts;
- 20 • Only two changes in the FAC factor will be made each year, one in June and  
21 one in December;

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- 1       • The Missouri jurisdictional base cost of energy under the FAC will be  
2       established at \$0.03075 per kilowatt-hour sold;
- 3       • Over/under recoveries of Missouri jurisdictional energy costs will be  
4       refunded/collected periodically (every six months) from Missouri retail  
5       customers through the operation of the tariff;
- 6       • Over/under recoveries of Missouri jurisdictional energy costs will be recorded  
7       on the books of the Company in FERC accounts using an asset/liability account  
8       to track over/under recoveries of energy costs on the balance sheet, Account  
9       No. 182.xxx/254.xxx and an offsetting expense account to reflect the  
10      over/under recoveries of energy costs on the income statement, Account No.  
11      501.xxx. This will ensure that net operating income is not distorted by  
12      over/under recoveries of Missouri jurisdictional energy costs. In addition, this  
13      accounting process will leave an audit trail for internal and external auditors.  
14      This audit trail will be very useful during the periodic prudence reviews that are  
15      required under the Commission's rules governing the fuel adjustment process.  
16      Empire has restricted the recovery and refund of over/under recoveries to 95  
17      percent of the total difference. This is patterned after the findings the  
18      Commission made in the latest Aquila, Inc. rate case in Missouri.
- 19      • Carry costs on energy costs deferred as part of the operation of the FAC will be  
20      calculated on a monthly basis using Empire's embedded cost of short-term debt  
21      as the interest rate starting the first month the FAC tariff is in effect, and will be  
22      applied during both the accumulation period and the recovery period.

23   **Q.   HOW IS THE FAC BEING PROPOSED BY EMPIRE IN THIS RATE CASE**

1       **AND THE INFORMATION BEING SUBMITTED WITH THE FAC IN**  
2       **THIS RATE CASE DESIGNED?**

3     A.    Empire has designed its proposed FAC to comply with Section 386.266 of the  
4       Missouri statutes, which some may refer to as Senate Bill 179, and the  
5       Commission's rule governing the fuel adjustment process. Attached to this  
6       testimony as Schedule WSK-6 is a list of the nineteen (19) minimum filing  
7       requirements and where this information can be found in supporting exhibits and  
8       testimony.

9     **Q.    PLEASE DESCRIBE THE ADDITIONAL INFORMATION THAT HAS**  
10       **BEEN INCORPORATED IN THE FILING TO COMPLY WITH THE**  
11       **COMMISSION'S RULE.**

12    A.    We have included information associated with the following:

- 13       • Proposed FAC tariff, (Schedule WSK-3)
- 14       • An example customer billing with a separate line item for the FAC factor,  
15       (Schedule WSK-4)
- 16       • Customer notice of proposed implementation of the FAC, (Schedule WSK-5)
- 17       • Testimony regarding business risk and the FAC (Overcast)
- 18       • Testimony concerning the resource mix that Empire expects to use to meet its  
19       customers electric requirements over the next four years (Tarter)
- 20       • Testimony describing Empire's long-term resource planning process (Tarter)
- 21       • Testimony describing Empire's current generation testing procedures  
22       concerning unit heat rates and efficiency (Mertens)

- 1       • Testimony concerning emission allowance costs/revenues for the next four
- 2           years (Mertens)
- 3       • Testimony authorizing the Commission staff to release Empire's previous five
- 4           years of historical surveillance reports to all of the official parties to this rate
- 5           case (Keith)

6   **Q.   DOES EMPIRE AUTHORIZE THE COMMISSION TO RELEASE THE**  
7       **LAST FIVE YEARS OF HISTORICAL SURVEILLANCE REPORTS TO**  
8       **THE PARTIES IN THIS CASE?**

9   A.   Yes, Empire agrees to release the last five years of historical surveillance  
10       information to the Commission Staff. If other parties to this case desire to receive  
11       that information, Empire will provide it subject to the protections to confidential  
12       information that are afforded by 4 CSR 240-2.135. At this point, we are concerned  
13       about other utilities operating in Missouri that compete with Empire, such as  
14       KCPL, Aquila and Ameren, gaining unrestricted access to our surveillance  
15       information as a result of intervening in this rate case. It would be unfair to Empire  
16       to require a complete release of this information to competitors without safeguards  
17       as to the access by competitors and the extent to which employees of competitors  
18       may view the information. Assuming these concerns can be addressed  
19       satisfactorily then Empire would agree to an overall release of five-years of the  
20       surveillance information to the parties in this rate case.

21   **Q.   WILL THE FAC TARIFF AND THE RECOVERY/REFUND MECHANISM**  
22       **PROVIDE EMPIRE SUFFICIENT OPPORTUNITY TO EARN A FAIR**  
23       **RETURN ON EQUITY?**

1 A. I believe so. The adjustment mechanism Empire has proposed is a significant  
2 improvement over the current fuel and energy cost recovery mechanism Empire  
3 uses in Missouri, which is to recover these costs through base rates. During  
4 periods of extreme fuel and energy price fluctuations, the FAC will recover 95  
5 percent of the changes in energy costs, which means that the Missouri retail  
6 customers will only reimburse Empire for a significant portion of its actual  
7 prudently incurred fuel and energy costs.

8 **Q. IS THE FAC PROPOSED BY EMPIRE DESIGNED TO COMPLY WITH**  
9 **THE PRUDENCE REVIEW PROCEDURES PRESCRIBED BY THE**  
10 **COMMISSION'S RULES?**

11 A. Yes. The proposal is flexible and will allow the Commission to adjust the amount  
12 of FAC recovery if any cost is disallowed as the result of a prudence review. As I  
13 mentioned earlier, the accounting procedures will involve an audit trail that should  
14 facilitate the audit process associated with those periodic prudence reviews.

15 **Q. DOES THE ACCOUNTING AND BILLING PROCESS ENVISIONED IN**  
16 **THE FAC PROPOSAL ENABLE EMPIRE TO TRACK FAC REVENUES**  
17 **AS A DISCRETE REVENUE STREAM?**

18 A. Yes. FAC revenue will be billed as a separate line item on each customer's bill and  
19 the FAC revenue will be segregated on the Empire books and records to facilitate  
20 the accounting and audit process.

21 **Q. WERE OFF-SYSTEM SALES REVENUES CONSIDERED AS A**  
22 **COMPONENT OF THE PROPOSED FAC?**

23 A. No. Off-system sales have been addressed entirely as a component of base electric

1 rates. Empire is not opposed to including 100 percent of its actual Missouri  
2 jurisdictional off-system sales margins as a component of the FAC. Either  
3 treatment, base rate or as a component of the FAC, appears to be acceptable under  
4 the terms of Empire's approved regulatory plan.

5 **Q. HAVE EMPIRE'S CUSTOMERS BEEN NOTIFIED OF THE REQUEST TO**  
6 **IMPLEMENT THE FAC?**

7 A. Yes. In addition, to the normal notice requirements that go with any general rate  
8 filing, Empire has prepared a notice that describes the request to implement the  
9 FAC. I have attached a copy of this notice as Schedule WSK-5.

10 **Q. PLEASE DESCRIBE HOW THE PROPOSED FAC WILL WORK.**

11 A. A copy of the proposed FAC is attached to my direct testimony as Schedule WSK-  
12 3. As shown on that schedule, the application of the proposed tariff involves the  
13 accumulation of actual Missouri jurisdictional energy costs over a six-month  
14 period, comparing that cost accumulation to the base cost of energy built into the  
15 Missouri jurisdictional rates and then determining the amount of over/under  
16 recovery of energy costs. Ninety-five percent (95%) of this over/under recovery  
17 balance is then billed/credited to the Missouri retail customers over a six-month  
18 billing period that immediately follows the six-month accumulation period. As  
19 outlined in Schedule WSK-3, the first six-month accumulation period is September  
20 through February and the recovery or billing period associated with this  
21 accumulation period is the following June through November. This procedure is  
22 different from the tariff procedure authorized by the Commission in the recent  
23 Aquila case where over/under recoveries are passed on to the customer over a 12-

1 month billing period. We believe the use of a six-month recovery period is an  
2 improvement over the Aquila process and will decrease the administrative burden  
3 associated with the FAC and potential customer confusion as our proposal results  
4 in a single FAC factor being applied to a customer's bill while the Aquila process  
5 results in multiple FAC factors being applied to a customer's monthly bill. In  
6 addition, our proposal will have a tendency to reduce the interest expense a  
7 customer will pay due to a quicker recovery period. Finally, our proposal also  
8 produces a more accurate price signal due to the shortened recovery period. The  
9 process envisioned in the FAC involves changing the energy cost recovery factor  
10 twice each year, once in June, the beginning of the summer season, and again in  
11 December, the beginning of the winter season. The timing of the filings would also  
12 enable Empire to notify its Missouri customers of the energy cost recovery factor in  
13 advance of its actual application to customer billings. In other words, the customer  
14 would receive a price signal for the cost of electric energy prior to the start of the  
15 winter and summer seasons, seasons in which customer usage tends to peak.

16 **Q. DO THE ENERGY COSTS ELIGIBLE FOR RECOVERY THROUGH THE**  
17 **FAC INCLUDE THE COSTS AND/OR BENEFITS ASSOCIATED WITH**  
18 **EMPIRE'S FUEL RISK MANAGEMENT (HEDGING) PROGRAM?**

19 A. Yes. As indicated on Schedule WSK-3, the costs eligible for recovery through the  
20 tariff include Empire's fuel risk management costs, which are recorded in FERC  
21 accounts 501, 547 and 555.

22 **Q. WHAT IS THE TIMING OF THE SEMI-ANNUAL FAC FILINGS AS**  
23 **PROPOSED IN THE FAC TARIFF?**

1 A. The tariff, as proposed, incorporates the following timing of actions:

- 2 • Filing for a change in the cost adjustment factor ("CAF") on April 1<sup>st</sup> and  
3 October 1<sup>st</sup> each year  
4 • Staff recommendation on the filed CAF by May 1<sup>st</sup> and November 1<sup>st</sup> each year  
5 • Commission Approval of the CAF by June 1<sup>st</sup> and December 1<sup>st</sup> or CAF as filed  
6 is allowed to go into effect on June 1<sup>st</sup> and December 1<sup>st</sup> each year

7 **Q. IS THE TIMING OF THESE ACTIONS IN ACCORDANCE WITH THE**  
8 **COMMISSION'S RULES GOVERNING THE FILING OF PERIODIC**  
9 **ADJUSTMENTS TO THE FAC?**

10 A. Yes. The Staff has thirty days from the date of a CAF filing to make its  
11 recommendation and the Commission has sixty days from the CAF filing date in  
12 which it can render a decision concerning the cost recovery factor or allow it to go  
13 into effect by operation of law.

14 **Q. HOW WILL THE TRUE-UP OF ENERGY COST RECOVERY TAKE**  
15 **PLACE AND PRUDENCE REVIEWS BE SCHEDULED ACCORDING TO**  
16 **THE PROPOSED FAC TARIFF?**

17 A. The true-up of energy costs and their recovery takes place every six months. The  
18 exact timing of the prudence review has not been explicitly set out in the tariff, due  
19 to the consultation that needs to be taken with the Commission staff concerning the  
20 scheduling of the prudence reviews associated with other Missouri electric utilities  
21 using a FAC. The proposed FAC tariff specifies that prudence reviews will take  
22 place no less than every eighteen (18) months There is ample time in which to  
23 schedule the required prudence review, and with input from the other parties in this

1 case, the exact timing of the prudence reviews could easily be included in the tariff  
2 itself.

3 **Q. DOES THE FAC INCLUDE ANY EXPLICIT INCENTIVE MEASURES?**

4 A. As I mentioned earlier, we have patterned our FAC proposal after the FAC  
5 authorized by the Commission in the last Aquila rate case. This includes limiting  
6 Empire's recovery of energy cost changes to 95 percent of the overall change in  
7 energy costs. This would mean that Empire would retain 5% of any decrease in  
8 energy costs during the accumulation period or absorb 5% of any increase in  
9 energy costs during the accumulation period.

10 **Q. DOES THE FAC INCLUDE ANY RATE VOLATILITY MITIGATION**  
11 **FEATURES?**

12 A. Yes, the energy cost changes that occur during the accumulation period will be  
13 spread over six months. This feature will fix the FAC component of a customer's  
14 bill for six months and will tend to smooth out energy price volatility.

**FUEL PLANNING AND PROCUREMENT**

15 **Q. DOES EMPIRE HAVE PROCEDURES IN PLACE THAT ENSURE THAT**  
16 **ITS FUEL PURCHASING IS PRUDENT?**

17 A. Yes it does. Empire plans its fuel procurement activity using long-term planning  
18 and maintains an active Risk Management Policy ("RMP").

19 **Q. PLEASE DESCRIBE EMPIRE'S RMP.**

20 A. Empire implemented a Risk Management Policy ("RMP") in 2001 to manage  
21 natural gas price volatility. The RMP outlines the instruments that may be used to  
22 help manage volatility. In general terms, Empire's RMP allows the use of financial

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1 and physical transactions to help manage price volatility. In addition, the RMP  
2 establishes minimum quantities of natural gas in future calendar years that are  
3 required to be price protected by a certain date. Historically, the Staff and the  
4 Office of Public Counsel have reacted favorably to Empire's RMP. As of August  
5 2007, Empire had hedged or price protected the following percentages of expected  
6 natural gas usage for its electric operations:

Year	Percentage Hedged	Dekatherms	Average Price
2008	82%	7,826,000	\$6.852
2009	45%	4,696,000	\$6.060
2010	39%	3,696,000	\$5.422
2011	40%	3,696,000	\$5.422
2012	13%	1,200,000	\$7.295
2013	13%	1,200,000	\$7.295

7 **Q. DOES EMPIRE ALSO HAVE ACCESS TO OTHER SOURCES OF**  
8 **ELECTRIC ENERGY THAT CAN BE USED TO OFFSET NATURAL GAS**  
9 **PRICE VOLATILITY?**

10 A. Yes. In addition, to its coal fired generating units, Empire also owns and operates  
11 the Ozark Beach hydro facility. It has a capacity of about 16 MW and averages  
12 about 63,000 MWh's of output per year. The output of this unit is limited by the  
13 water released from Table Rock Lake and the level of water maintained on Bull  
14 Shoals Lake.

15 At the end of 2005, Empire began receiving output from the Elk River Wind  
16 Project owned by PPM Energy. Empire has a contractual commitment to purchase  
17 100% of the output from this project for the next 20 years. Empire expects to  
18 receive about 550,000 MWh's per year from this project or about 10% of its overall

1 energy supply. During the test year ending June 30, 2007, Empire received  
2 approximately 9.1 percent or 494,000 Mwh of its overall energy supply via the  
3 contract with Elk River. The wind energy is purchased at a fixed annual cost and is  
4 typically used to offset the energy from higher cost resources, such as those using  
5 natural gas. Empire has recently entered into an agreement with Cloud County  
6 Windfarm, LLC, owned by Horizon Wind Energy, to purchase all of the output  
7 from Meridian Way Wind Farm beginning about January 1, 2009. Empire  
8 anticipates purchasing approximately 350,000 megawatt-hours of energy under this  
9 contract annually.

10 **Q. HOW DOES EMPIRE ACQUIRE THE FUEL AND PURCHASED POWER**  
11 **USED TO SUPPLY ELECTRICITY TO ITS CUSTOMERS?**

12 A. Empire's fuel and purchased power acquisition planning is performed using a  
13 three-step process. The steps in this process are:

- 14 • Long-term Integrated Resource Plan ("IRP")
- 15 • An annual and five-year business plan
- 16 • Updates to the annual and five-year business plans as conditions change

17 **Q. PLEASE DESCRIBE THE IRP PROCESS.**

18 A. Empire utilizes the IRP process to develop a long-term strategy to reliably serve its  
19 customers at the lowest possible cost. This planning process uses Empire's entire  
20 load in all five of its jurisdictions. This formal IRP process has been in place since  
21 the early 1990's when Missouri implemented a formal IRP rule. Since that time  
22 Oklahoma and Arkansas have implemented IRP rules. Empire has used the IRP it  
23 developed for filing in Missouri as the basis for its IRP filings in Oklahoma and

1       Arkansas. The IRP process that Empire uses results in a target list of future  
2       resources designed to serve Empire's projected usage and customer levels in all  
3       jurisdictions. The resource plan selected by Empire as a result of this process  
4       includes base load, intermediate, and peaking resources using a mix of fuels from  
5       coal to natural gas. Demand-side management programs are also considered as  
6       potential resources as part of the IRP process. Empire filed its latest IRP plan in  
7       Missouri on September 5, 2007.

8       **Q.   HOW DOES THE SECOND STEP OF THE PLANNING PROCESS WORK?**

9       A.   In addition to the long range planning, Empire conducts annual financial and  
10       operational planning, which is used to develop a five-year business forecast. This  
11       planning process includes detailed load forecast, detailed generation unit modeling,  
12       detailed O&M and capital budget planning, and revenue forecast. This plan is used  
13       to assess many things including the ability to raise capital, debt and equity, and the  
14       near term impact on the overall cost of service. The detailed generation unit  
15       modeling developed in this phase of the planning process is used as the primary  
16       source of information for the development of the fuel and purchased power  
17       procurement plan.

18       **Q.   ARE THE ANNUAL AND FIVE-YEAR BUSINESS PLANS ADJUSTED TO**  
19       **REFLECT CHANGES IN THE BUSINESS ENVIRONMENT?**

20       A.   Yes. The annual and five-year business plans are periodically refined to take into  
21       account changes that have occurred since the plans were initially developed.  
22       Empire takes into account changes in such things as weather, number of customers,  
23       fuel prices, purchased power prices, rail transportation delays, and coal availability.

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1           As these refinements are made to the near term forecasts, Empire adjusts its fuel  
2           procurement plans as necessary.

3   **Q.   IS THE FAC DESIGNED TO PRODUCE A DIFFERENT COST**  
4           **ADJUSTMENT FACTOR ("CAF") FOR DIFFERENT VOLTAGE**  
5           **LEVELS?**

6   A.   Yes. The FAC includes a feature that reduces the cost adjustment factor to those  
7           customers taking service at primary voltage or higher. The mechanism we have  
8           proposed is based upon the information coming from the periodic line loss studies  
9           performed by the Company.

10 **Q.   HOW WERE THE FACTORS USED TO ADJUST THE CAF FOR**  
11 **PRIMARY AND SECONDARY CUSTOMERS DEVELOPED USING THE**  
12 **LATEST LINE LOSS STUDY?**

13 A.   The results of the latest line loss study were used to develop expansion ratios for  
14           two broad groups of customers, those taking electric service and primary voltage  
15           and higher and those taking service at secondary voltage. The following table  
16           contains the sales and inputs statistics used to develop the expansion ratios.

Voltage Level	System Input	Sales	Ratio	Expansion Ratio
Secondary	3,497,669	3,232,161	1.0821	1.01
Primary & Higher	1,186,361	1,133,869	1.0463	.98
Total MO System	4,684,030	4,366,030	1.0728	

17           As indicated in the table, those customers taking service at primary and above  
18           voltages will have a CAF factor adjusted by an expansion factor of .98 while those  
19           customers taking service at secondary voltage will have a CAF factor adjusted by  
20           an expansion factor of 1.01. Both of these factors were developed by comparing

1 the system input and sales of the customer groups to that of the total Missouri  
2 system.

3 **Q. ARE THERE BENEFITS ASSOCIATED WITH THE USE OF AN**  
4 **EXPANSION FACTOR TO ADJUST THE CAF?**

5 A. Yes. It is simple and it is fair to the two groups of customers, and the  
6 administration of the tariff will be much easier. By using an expansion factor  
7 rather than attempting to allocate accumulation period costs between these two  
8 groups of customers, Empire will only have to track one over/under account, not  
9 two as the recently approved Aquila FAC tariff appears to require.

10 **Q. WHAT BENEFITS DO YOU SEE ASSOCIATED WITH THE USE OF THE**  
11 **FAC PROPOSED BY EMPIRE?**

12 A. I believe the benefits are significant for all of the stakeholders. First, Empire will  
13 benefit by being able to recover the overwhelming portion its actual fuel and  
14 energy costs through the FAC. This will strengthen its financial profile and ability  
15 to attract the financing necessary to meet its growing customer needs at the best  
16 rates possible. In addition, the need to file general rate cases for the primary  
17 purpose of reflecting ongoing fuel and energy costs in base electric rates will be  
18 eliminated. A reduction in the number of general rate cases will ultimately lower  
19 Empire's costs and the cost to serve Empire's customers.

20 **Q. HOW WILL THE COMMISSION BENEFIT?**

21 A. The Commission will benefit in a couple of areas. First, the number of rate cases  
22 should decline as fuel and energy costs should no longer drive the filing of rate  
23 cases. The result is an FAC process that is ultimately fair to all sides. The utility

1 will collect its actual cost of fuel and energy and the customer will pay for no more  
2 than the actual, prudently incurred fuel and energy cost. The customer will benefit  
3 automatically if prices decline. In addition, the FAC rule enacted by the  
4 Commission includes an enhanced surveillance reporting requirement that will  
5 enable the Commission to track overall earnings trends of the utilities using an  
6 FAC and guard against excessive utility earnings.

7 **Q. HOW WILL THE FAC BENEFIT THE CUSTOMER?**

8 A. In the long run the customer will benefit from the implementation of a properly  
9 designed FAC. The customer will only reimburse Empire for the actual cost of fuel  
10 and energy, not an estimate of future energy costs. Thus, there will be no over  
11 reimbursement of cost, and no winners and losers. Empire will have a stronger  
12 financial profile and an enhanced ability to attract the capital necessary to operate  
13 its utility system at the best rates possible. Ultimately, this will lower the cost of  
14 operations from where it would have been without the FAC. Over the long run the  
15 reduction in the number of general rate proceedings and the lower financing costs  
16 will lower Empire's cost of doing business and lower the electric rates it needs to  
17 charge to operate the system from what it otherwise would be without the FAC. In  
18 addition, the FAC will convey the true cost of electric energy to Empire's  
19 customers. If energy costs escalate the customer will know immediately and be in  
20 a position to make an informed decision concerning any energy efficiency  
21 measures that could be implemented in an effort to lower consumption. Since  
22 Missouri has not had a fuel adjustment mechanism in place for many years, fixed  
23 energy pricing has been used. This has tended to shield the customer from the true

1 cost of electric energy and in my mind has hampered the implementation of  
2 meaningful energy efficiency programs. When the customer can purchase his  
3 electric energy at rates lower than the cost of producing it, the true economics are  
4 concealed and the customer will have a much harder time deciding between adding  
5 additional insulation to the house versus turning up the thermostat.

**VEGETATION MANAGEMENT AND INFRASTRUCTURE COSTS**

6 **Q. DOES EMPIRE HAVE A RECOMMENDATION ASSOCIATED WITH**  
7 **THE COMMISSION'S NEW VEGETATION MANAGEMENT AND**  
8 **INFRASTRUCTURE STANDARDS RULES?**

9 A. Yes. As outlined in Empire witness Palmer's testimony, the implementation of  
10 new Commission vegetation management and infrastructure standards could have a  
11 significant financial impact upon Empire, with vegetation management  
12 expenditures increasing by over six times depending upon the final draft of the rule  
13 and infrastructure management costs increasing from \$6.6 million to \$12.8  
14 annually. Since the outcome of the rulemaking process has yet to be completed,  
15 Empire was not able to propose an adjustment to its vegetation management or  
16 infrastructure expenses in this rate case to reflect the impact of the Commission's  
17 new rules. An adjustment to account for the financial impact of the new vegetation  
18 management and infrastructure rules may become more apparent during the true-up  
19 Empire is requesting in this case. In the alternative, Empire is seeking Commission  
20 approval of a cost tracking mechanism that would authorize it to defer the  
21 additional vegetation management and infrastructure expenses associated with the  
22 new rules until these costs can be considered as part of a general rate case.

1   **Q.   PLEASE DESCRIBE HOW THIS ALTERNATIVE PROPOSAL WOULD**  
2       **WORK.**

3   A.   A regulatory asset or liability would be established on Empire's records to track  
4       any increases or decreases in vegetation management and infrastructure costs from  
5       the cost levels included in this rate case. This account would be maintained until  
6       the next rate case at which time it would be amortized and recovered in rates over a  
7       period not to exceed five years. For example, if annual vegetation management and  
8       infrastructure expenses increased from a current level of around \$6 million to \$26  
9       million, Empire would record the annual increase of \$20 million as a regulatory  
10      asset until it can be reflected in rates in the next general rate case. If an increase of  
11      this same magnitude occurred for a number of years before the next general rate  
12      case, this account would capture more than one year of the cost increase associated  
13      with the new vegetation management and infrastructure rules. Once this regulatory  
14      asset is reflected in rates, the balance in the regulatory asset would be reduced to  
15      reflect that portion of costs being collected from the customers. For example, if the  
16      Commission decided to amortize the accumulated balance over more than one year  
17      then the balance in the regulatory asset would reflect the amortization levels  
18      allowed in rates.

**TRUE-UP**

19   **Q.   IS EMPIRE REQUESTING A TRUE-UP IN THIS CASE?**

20   A.   Yes. Empire is requesting that the financial information be updated as of  
21       December 31, 2007.

22   **Q.   WHAT IS THE PURPOSE OF A TRUE-UP?**

1 A. The true-up will enable all of the parties to the proceeding to use financial  
2 information that is closer to the effective date of the new tariffs that will become  
3 effective as part of this rate case. All of the major components used to develop the  
4 new revenue requirement should be updated, including rate base, operating  
5 revenues and operating expenses.

6 **Q. WHAT AREAS OF THE EMPIRE REVENUE REQUIREMENT SHOULD**  
7 **BE UPDATED THROUGH DECEMBER 31, 2007?**

8 A. The revenue requirement should be updated to recognize all of the significant  
9 changes that have occurred through December 31, 2007. Among those areas where  
10 significant changes can occur are:

- 11 • Net Plant in Service
  - 12 ○ Including the investment in SCR at Asbury
- 13 • Construction Investment at Iatan II and Plum Point
- 14 • Revenue
- 15 • Fuel and Purchased Power Cost
- 16 • Payroll Cost including Benefits
- 17 • Depreciation
- 18 • Capital Cost
- 19 • Capital Structure
- 20 • Commission Vegetation Management and Infrastructure Standards Rules

21 **Q. IS THIS A COMPLETE LIST OF ALL OF THE ITEMS THAT MAY BE**  
22 **INVOLVED IN THE TRUE-UP?**

W. SCOTT KEITH  
DIRECT TESTIMONY

1 A. No. Empire anticipates working with all of the parties that become involved in the  
2 rate case to develop a complete list of items that will be included in the true-up.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes.

LIST OF SCHEDULES

<u>Schedule No.</u>	<u>Description</u>
WSK-1	Schedules Supporting Revenue Requirement
WSK-2	Proposed ECR Base
WSK-3	Energy Cost Recovery Tariff
WSK-4	Example Customer Bill with an ECR factor
WSK-5	Notice
WSK- 6	FAC Minimum Filing Requirements

INDEX TO WSK-1

<u>Section No.</u>	<u>Schedule No.</u>	<u>Description</u>
C	1	Comparative and Summary Information
D	1	Rate Base and Rate of Return
E	1	Electric Plant in Service by Primary Account
F	1	Accumulated Provision for Depreciation
G	1	Working Capital
G	2	Cash Working Capital
G	3	Income Tax and Interest Expense Factors
H	1	Capital Structure at September 30, 2005
H	2	Preferred Stock
H	3	Long-Term Debt
H	8	Capital Costs and Structure
J	1	Test Year Operating Income Statements
J	2	Test Year Adjustments
K	1	Depreciation Rates and Accruals
K	2	Normalized Depreciation Expense
L	1	Taxes Charged to Electric Operations
L	2	Income Tax Calculation
M	1	Bases of Allocation
M	2	Allocation of Rate Base Items

**AFFIDAVIT OF W. SCOTT KEITH**

STATE OF MISSOURI )  
 ) ss  
COUNTY OF JASPER )

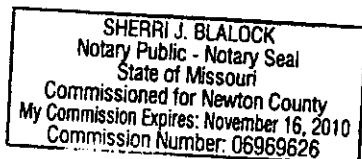
On the 15<sup>th</sup> day of October, 2007, before me appeared W. Scott Keith, to me personally known, who, being by me first duly sworn, states that he is the Director of Planning and Regulatory of The Empire District Electric Company and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

W. Scott Keith  
W. Scott Keith

Subscribed and sworn to before me this 15<sup>th</sup> day of October, 2007.

Sherril J. Blalock  
Notary Public

My commission expires: Nov 16, 2010



**The Empire District Electric Company**  
**Comparative and Summary Information**

**Section C**  
**Schedule 1**  
**09/25/2007**

1. Total test year revenues at existing rates	\$343,424,094
2. Total test year revenues at proposed rates	\$378,149,296
3. Percentage change in revenues	10.11%
4. Test year rate base	\$733,148,974
5. Rate base as filed in case no. ER-2006-0315	\$625,454,772
6. Return on rate base during the test year under existing rates	6.44%
7. Return on rate base under proposed rates	9.36%
8. Return on equity during the test year under existing rates	6.50%
9. Return on equity under proposed rates	11.60%
10. Total operating expenses as filed in case no. ER-2006-0315	\$264,922,893
11. Total operating expenses under proposed rates	\$296,196,024

**The Empire District Electric Company**  
**Rate Base and Rate of Return**

**Section D**  
**Schedule 1**  
**09/27/2007**

	<u>Missouri</u> <u>Jurisdictional</u>	<u>Reference</u>
1. Electric Plant in Service	\$1,205,543,927	E-1
2. Less: Reserve for Depreciation	<u>432,592,741</u>	F-1
3. Net Electric Plant in Service	772,951,186	
4. Materials and Supplies (13-Month Average)	31,617,809	G-1
5. Regulatory Asset (FAS 87)	29,172,852	
6. Deferred 2007 Ice Storm	10,334,046	
7. Prepayments (13-Month Average)	2,698,301	G-1
8. Cash Working Capital	3,668,671	G-2
Less:		
9. Deferred Taxes	97,609,649	
10. Investment Tax Credit - Pre-1971	376	M-2
11. Customer Deposits	6,478,038	M-2
12. Customer Advances	7,732,771	
13. Interest Offset	3,413,202	G-4
14. Income Tax Offset	<u>2,059,855</u>	G-4
15. Total Original Cost Rate Base	\$733,148,974	
16. Net electric Operating Income Before Effect of Proposed Increase	\$47,228,069	J-1
17. Indicated Rate of Return Before Proposed Increase	6.44%	
18. Proposed Increase (After Taxes)	\$21,394,675	
19. Income Tax Gross-up Factor	1.62308	
20. Proposed Increase (Revenue Requirement)	\$34,725,203	
21. Net Electric Operating Income After Effect of Proposed Increase	\$68,622,744	
22. Indicated Rate of Return After Effect of Proposed Increase	9.36%	H-1

The Empire District Electric Company  
Electric Plant in Service by Primary Plant Account

Section E  
Schedule I  
09/27/2007

	A	B	C	D	E	F
Account Name	Jun-06 Total Company	Missouri Jurisdiction	06/30/2007 Total Company	Adjustments	Pro Forma	Missouri Jurisdiction
301 Intangible Plant - Organization	\$9,131,805	7,785,979	\$9,989,617		\$9,989,617	\$8,584,516
310 Land and Land Rights	907,690	745,798	961,981		961,981	798,114
311 Structures and Improvements	24,235,824	19,913,221	23,931,899	5,580,000	29,511,899	24,484,737
312 Boiler Plant and Equipment	128,638,509	105,695,070	130,416,807	17,360,000	147,776,807	122,603,981
312 Unit Coal Trains	5,580,296	4,585,017	5,580,296		5,580,296	4,629,729
314 Turbo Generator Units	36,536,513	30,020,009	36,819,248	8,060,000	44,879,248	37,234,357
315 Accessory Electric Equipment	7,363,608	6,050,265	7,341,853		7,341,853	6,091,216
316 Miscellaneous Power Plant Equipment	3,889,047	3,195,413	4,120,581		4,120,581	3,418,666
Total Steam Production Plant	207,151,486	170,204,793	209,172,664	31,000,000	240,172,664	199,260,800
330 Land and Land Rights	226,463	186,072	226,488		226,488	187,907
331 Structures and Improvements	579,804	476,392	564,688		564,688	468,497
332 Reservoirs, Dams and Waterways	1,469,845	1,207,690	1,450,298		1,450,298	1,203,249
333 Water Wheels, Turbines & Generators	1,635,106	1,343,475	1,611,159		1,611,159	1,336,708
334 Accessory Electric Equipment	812,324	667,441	812,324		812,324	673,950
335 Miscellaneous Power Plant Equipment	366,659	301,264	366,646		366,646	304,190
Total Hydroelectric Production Plant	5,090,202	4,182,334	5,031,602	0	5,031,602	4,174,501
340 Land and Land Rights	451,651	371,096	451,651		451,651	374,715
341 Structures and Improvements	14,394,442	11,827,108	17,202,964		17,202,964	14,272,550
342 Fuel Holders, Producers & Accessories	12,717,425	10,449,197	18,246,170		18,246,170	15,138,053
343 Prime Movers	161,912,429	133,034,389	181,678,671		181,678,671	150,730,881
344 Generators	80,221,240	65,913,307	85,457,038		85,457,038	70,899,983
345 Accessory Electric Equipment	14,423,747	11,851,186	26,509,308		26,509,308	21,993,618
346 Miscellaneous Power Plant Equipment	14,018,923	11,518,565	10,907,955		10,907,955	9,049,855
Total Other Production Plant	298,139,856	244,964,849	340,453,757	0	340,453,757	282,459,656
Total Production Plant	510,381,544	419,351,976	554,658,024	31,000,000	585,658,024	485,894,958
350 Land and Land Rights	8,698,254	7,146,869	8,713,559		8,713,559	7,229,260
352 Structures and Improvements	2,357,555	1,937,071	2,357,555		2,357,555	1,955,960
353 Station Equipment	81,987,358	67,364,428	83,568,064		83,568,064	69,332,783
354 Towers and Fixtures	777,080	638,483	799,508		799,508	663,317
355 Poles and Fixtures	29,569,737	24,295,799	32,908,392		32,908,392	27,302,660
356 Overhead Conductors and Devices	52,862,751	43,434,367	53,424,678		53,424,678	44,324,129
Total Transmission Plant	176,252,734	144,817,016	181,771,756	0	181,771,756	150,808,110
360 Land and Land Rights	1,628,613	1,455,079	1,773,608		1,773,608	1,592,059
361 Structures and Improvements	8,990,714	8,032,725	9,128,776		9,128,776	8,194,338
362 Station Equipment	64,131,289	57,297,896	67,074,924		67,074,924	60,209,014
364 Poles, Towers and Fixtures	103,487,544	92,460,617	127,047,978		127,047,978	114,043,119
365 Overhead Conductors and Devices	112,897,496	100,867,908	117,801,249		117,801,249	105,742,902
366 Underground Conduit	18,807,411	16,803,421	20,422,704		20,422,704	18,332,200
367 Underground Conductors and Devices	42,007,451	37,531,424	49,406,844		49,406,844	44,349,471
368 Line Transformers	74,303,522	66,386,245	78,938,909		78,938,909	70,858,581
369 Services	53,064,579	47,410,379	55,925,194		55,925,194	50,200,591
370 Meters	16,697,424	14,918,260	17,634,706		17,634,706	15,829,586
371 Installations on Customers' Premises	13,463,532	12,028,950	13,961,289		13,961,289	12,532,187
373 Street Lighting and Signal Systems	11,542,780	10,312,860	11,796,273		11,796,273	10,588,785
Total Distribution Plant	521,022,355	465,505,765	570,912,455	0	570,912,455	512,472,831
101.1 Capital Lease	551,584	470,293	1,246,564		1,246,564	1,071,227
389 Land and Land Rights	679,466	579,328	679,466	-40,338	639,128	549,231
390 Structures and Improvements	9,216,611	7,858,286	9,212,785	-617,992	8,594,793	7,385,883
391.1 Office Furniture and Equipment	3,273,491	2,791,051	3,429,630	-218,641	3,210,989	2,759,344
391.2 Computer Equipment	11,666,573	9,947,178	11,824,259	-402,272	11,421,987	9,815,415
392 Transportation Equipment	6,673,037	5,689,579	6,934,318		6,934,318	5,958,964
393 Stores Equipment	348,132	296,825	348,132		348,132	299,165
394 Tools, Shop and Garage Equipment	3,398,469	2,897,609	3,628,757		3,628,757	3,118,350
395 Laboratory Equipment	937,789	799,579	947,054		947,054	813,845
396 Power Operated Equipment	9,761,203	8,322,617	10,392,093		10,392,093	8,930,381
397 Communication Equipment	8,065,291	6,876,645	8,429,036	-408,841	8,020,195	6,892,106
398 Miscellaneous Equipment	272,049	231,955	229,707	-9,075	220,632	189,599
Total General Plant	54,843,695	46,760,947	57,301,804	-1,697,159	55,604,645	47,783,511
Total Electric Plant in Service	\$1,271,632,134	\$1,084,221,684	\$1,374,633,655	\$29,302,841	\$1,403,936,496	\$1,205,543,927

The Empire District Electric Company  
Accumulated Provision for Depreciation of Electric Plant in Service

	A		B		C		D		E		F	
	Jun-06				06/30/2007						Missouri	
	Total		Missouri		Total		Adjustments		Pro		Jurisdictional	
	Company	Jurisdictional	Company	Adjustments	Forma	Jurisdictional						
1. Steam	\$105,259,736	\$86,486,040	\$107,444,863		\$107,444,863				\$107,444,863		\$89,142,324	
2. Hydro	2,304,297	1,893,312	2,333,046		2,333,046				2,333,046		1,935,627	
3. Other	66,518,681	54,654,681	73,203,699		73,203,699				73,203,699		60,733,921	
4. Total Production	174,082,714	143,034,032	182,981,607	0	182,981,607				182,981,607		151,811,871	
5. Transmission	55,219,022	45,370,383	58,897,493	210,019	59,107,511				59,107,511		49,038,928	
6. Distribution	198,781,993	177,574,647	216,323,423	1,677,617	218,001,041				218,001,041		195,656,478	
7. General	27,583,174	23,517,096	30,194,672	-787,144	29,407,528				29,407,528		25,271,180	
8. Amortization of Electric Plant	5,678,822	4,841,698	6,492,941		6,492,941				6,492,941		5,579,669	
9. Regulatory Plan Amortization	0	0	5,234,614		5,234,614				5,234,614		5,234,614	
10. Total	\$461,345,725	\$394,337,856	\$500,124,751	\$1,100,492	\$501,225,243				\$501,225,243		\$432,592,741	

**The Empire District Electric Company**  
**Working Capital**

**Section G**  
**Schedule 1**  
**Page 1 of 3**  
**09/27/2007**

	<b>A</b> <b>Total</b> <b>Company</b>	<b>B</b> <b>Missouri</b> <b>Jurisdictional</b>
1. Fuel	\$12,242,316	\$10,118,751
2. Adjustments	-388,914	-321,453
3. Fuel Adjusted	11,853,402	9,797,298
4. Other Production Materials	9,048,230	7,506,922
5. Adjustments (Clearing Account)	0	0
6. Other Production Materials Adjusted	9,048,230	7,506,922
7. Total Production	21,290,546	17,625,673
8. Total Production Adjustments	-388,914	-321,453
9. Total Production Adjusted	20,901,632	17,304,220
10. Transmission and Distribution	15,816,973	14,197,919
11. Adjustments (Remove water inventory)	-34,013	-30,531
12. Total Transmission and Distribution Adj	15,782,960	14,167,388
13. Clearing Account Materials	170,130	146,201
14. Total Materials and Supplies	37,277,650	31,969,793
15. Total Adjustments	-422,927	-351,984
16. Total Materials and Supplies Adjusted	<u>\$36,854,723</u>	<u>\$31,617,809</u>
17. Boiler and Machinery Breakdown	\$496,396	\$426,250
18. Comprehensive Bond	8,765	7,526
19. P.B.G.C.	12,637	10,851
20. Auto Bodily Injury and Property Damage	77,443	66,499
21. Fixed and Nonfixed Property	30,817	26,462
22. Directors and Officers Liability	210,953	181,143
23. Excess Liability	391,213	335,930
24. Excess Workers Compensation	96,324	82,712
25. Total Prepaid Insurance	1,324,548	1,137,374
26. Other Prepayments	583,562	501,098
27. Prepaid Interest	121,320	104,176
28. Prepaid Fuel	1,039,044	892,215
29. Total Prepayments	3,068,473	2,634,862
30. Adjustments	71,481	61,380
31. Total Prepayments Adjusted	<u>\$3,139,954</u>	<u>\$2,696,242</u>

The Empire District Electric Company  
Materials and Supplies Without Adjustments

Section G  
Schedule 1  
Page 2 of 3

Date	A Fuel	B Other Materials	C Total	D Transmission and Distribution	E Clearing Account Materials	F Total
June-06	\$13,046,904	\$8,991,350	\$22,038,255	\$14,543,250	\$45,075	\$36,626,580
July-06	11,207,044	9,001,984	20,209,028	15,190,100	23,406	35,422,534
August-06	9,267,815	8,999,093	18,266,908	15,370,033	26,176	33,663,116
September-06	9,734,031	9,016,211	18,750,242	15,378,388	-31,164	34,097,466
October-06	10,773,638	9,009,583	19,783,221	15,239,488	-61,692	34,961,017
November-06	12,014,466	9,012,119	21,026,585	15,379,799	-101,359	36,305,026
December-06	12,213,322	9,043,749	21,257,071	15,017,561	53,297	36,327,928
January-07	11,457,218	9,105,681	20,562,899	15,763,281	636,741	36,962,922
February-07	11,994,124	9,090,846	21,084,971	16,075,431	1,246,318	38,406,719
March-07	14,949,950	9,090,309	24,040,258	16,760,219	121,669	40,922,146
April-07	12,797,337	9,082,607	21,879,944	16,779,964	97,199	38,757,108
May-07	14,837,551	9,105,015	23,942,566	17,383,338	82,582	41,408,486
June-07	14,856,713	9,078,437	23,935,151	16,739,799	73,449	40,748,398
Average	\$12,242,316	\$9,048,230	\$21,290,546	\$15,816,973	\$170,130	\$37,277,650

The Empire District Electric Company  
Prepayments without Adjustments

Section G  
Schedule 1  
Page 3 of 3

Date	A Boiler and Machinery Breakdown	B Comp Bond	C Various	D Auto Bodily Injury and Property Damage	E Fiduciary Coverage Liability	F Directors and Officers Liability	G Excess Liability	H Excess Workers Comp
June-06	106,671	14,988	14,042	80,908	52,714	373,320	617,077	159,718
July-06	-13,748	13,489	16,497	64,541	47,442	335,988	555,726	144,826
August-06	-137,469	11,991	14,308	48,174	42,171	298,656	533,182	129,933
September-06	1,345,779	10,492	12,118	31,807	36,899	261,324	468,313	115,040
October-06	1,046,548	8,993	9,929	15,440	31,628	223,992	403,444	100,148
November-06	944,126	7,494	12,969	-698	26,357	186,660	338,575	85,255
December-06	814,217	5,995	11,804	-662	21,085	149,328	273,706	70,362
January-07	683,126	4,496	11,777	165,562	15,814	111,996	208,837	55,470
February-07	591,741	2,998	9,259	150,490	10,543	74,664	143,967	40,577
March-07	451,258	1,499	6,831	135,419	5,271	37,332	79,098	25,684
April-07	316,018	0	13,552	120,349	0	0	14,230	10,792
May-07	214,755	16,504	11,752	105,279	57,985	360,972	759,646	164,886
June-07	90,130	15,003	19,440	90,150	52,714	328,156	689,976	149,524
Average	\$496,396	\$8,765	\$12,637	\$77,443	\$30,817	\$210,953	\$391,213	\$96,324

Date	A Other Prepays	B Prepaid Interest	C Prepaid Fuel	C Total Prepays
June-06	\$700,989	\$30,713	\$1,233,359	\$3,384,498
July-06	668,280	67,780	1,110,524	3,011,345
August-06	635,570	55,740	1,110,524	2,742,777
September-06	602,860	122,543	1,110,524	4,117,698
October-06	630,657	97,617	1,110,524	3,678,918
November-06	597,974	96,291	58,441	2,353,442
December-06	565,290	190,652	1,110,524	3,212,302
January-07	588,340	211,331	1,110,524	3,167,273
February-07	555,434	319,756	1,110,524	3,009,953
March-07	522,529	96,141	1,110,524	2,471,587
April-07	489,623	39,916	1,110,524	2,115,004
May-07	531,327	53,727	1,110,524	3,387,358
June-07	497,430	194,949	1,110,524	3,237,997
Average	\$583,562	\$121,320	\$1,039,044	\$3,068,473

**Section G**  
**Schedule 2**  
**09/27/2007**

**Section G**  
**Schedule 2**  
**09/27/2007**

**The Empire District Electric Company**  
**Income Tax Gross-up Factor**

**Section G**  
**Schedule 3**  
**Page 1 of 3**  
**09/27/2007**

Federal Income Tax: (Taxable Income - Missouri Tax).35

$$\text{FIT} = (\text{Taxable Income} - ((\text{Taxable Income} - (.5 * \text{FIT})).0625)).35$$

$$\text{FIT} = (\text{TI} - .0625\text{TI} + .0625(.5 * \text{FIT})).35$$

FIT =

0.331754

State Income Tax: (Taxable Income - (.5 \* FIT).0625

$$\text{SIT} = (\text{Taxable Income} - (.5 * \text{FIT})).0625$$

SIT =

0.052133

Gross-up Factor:

$$\text{After Tax Income} = \text{Taxable Income} - \text{FIT} - \text{SIT}$$

ATI =

1.62308

Effective Income Tax:

$$\text{Effective Income Tax} = \text{FIT} + \text{SIT}$$

EIT =

0.38389

**The Empire District Electric Company**  
**Income Tax Lag Calculation**

**Section G**  
**Schedule 3**  
**Page 2 of 3**  
**09/27/2007**

	<b>A</b> <b>Due</b> <b>Date</b>	<b>B</b> <b>Year</b> <b>Midpoint</b>	<b>C</b> <b>Lag</b> <b>Days</b>	<b>D</b> <b>%</b> <b>Payment</b>	<b>E</b> <b>C*D</b> <b>Days</b>	<b>F</b> <b>Weighted</b> <b>Days</b>
<b>FEDERAL:</b>						
First payment	04/15	07/02	77.50	15.0%	11.63	
Second payment	06/15	07/02	16.50	15.0%	2.48	
Third payment	09/15	07/02	-75.50	10.0%	-7.55	
Fourth payment	12/15	07/02	-166.50	60.0%	-99.90	
Final installment	03/15	07/02	-256.50	0.0%	0.00	
Income tax days lag					-93.35	-80.67
<b>STATE:</b>						
First payment	04/15	07/02	77.50	22.5%	17.44	
Second payment	06/15	07/02	16.50	22.5%	3.71	
Third payment	09/15	07/02	-75.50	22.5%	-16.99	
Fourth payment	12/15	07/02	-166.50	22.5%	-37.46	
Final installment	04/15	07/02	-287.50	10.0%	-28.75	
Income tax days lag					-62.05	-8.43
Weighted tax days lag						-89.10
Revenue days lag						41.42
Net lag						47.68
Percent lag						13.0634%

**The Empire District Electric Company**  
**Interest Expense Lag Calculation**

**Section G**  
**Schedule 3**  
**Page 3 of 3**  
**09/27/2007**

**Interest Expense Lag Calculation:**

1. Number of days in year	365.00
2. Interest is payable semi-annually, divide by 2	2.00
3. Days covered by payment (1 / 2)	182.50
4. Divide by 2 to find average days lag	2.00
5. Average days payment lag (3 / 4)	91.25
6. Revenue days lag	41.42
7. Payment lag minus revenue lag (5 - 6)	49.83
8. Percent lag (7 / 1)	13.6526%

**Interest Offset:**

Weighted cost - preferred stock	0.4000%
Weighted cost - bonds	3.0100%
Weighted cost - short-term debt	0.0000%
Total weighted cost	3.4100%
Rate base (section D, line 14)	\$733,148,974
Total weighted cost x rate base	\$25,000,380
Interest expense lag	13.6526%
Interest Offset	\$3,413,202

**Income Tax Offset:**

Federal income tax - current	\$13,626,763
State income tax - current	2,141,349
Total current income tax	\$15,768,112
Income tax lag	13.0634%
Income Tax Offset	\$2,059,855

**The Empire District Electric Company**  
**Capital Structure @**  
**06/30/2007**

**Section H**  
**Schedule 1**  
**09/25/2007**

	A	B	C	D
	Amount	% of	Cost	Weighted
Test Year Capital Structure:	Outstanding	Total	Rate	Return on
				Tariffs Filed
1. Long-term Debt	\$472,368,337	45.43%	6.81%	3.09%
2. Trust Preferred Stock	48,512,788	4.67%	8.89%	0.42%
3. Common Equity	468,955,138	45.10%	11.60%	5.23%
4. Short-term Debt	49,892,000	4.80%	5.77%	0.28%
5. Total	<u>\$1,039,728,263</u>	<u>100.00%</u>		<u>9.02%</u>

	Amount	% of	Cost	Weighted
Adjusted Capital Structure:	Outstanding	Total	Rate	Return on
				Tariffs Filed
1. Long-term Debt	**	**	**	**
2. Trust Preferred Stock	**	**	**	**
3. Common Equity	**	**	**	**
4. Short-term Debt	**	**	**	**
5. Total	<u>**</u>	<u>**</u>	<u>100.00%</u>	<u>9.36%</u>

**The Empire District Electric Company**  
**Preferred Capital Stock**

**Section H**  
**Schedule 2**  
**09/27/2007**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
	<b>Principal</b>	<b>Percentage</b>	<b>Net</b>	<b>Amount</b>
	<b>Amount</b>	<b>Annual</b>	<b>Discount,</b>	<b>Outstanding</b>
	<b>Issued</b>	<b>Dividend</b>	<b>Premium and</b>	<b>at</b>
	<b><u>Issued</u></b>	<b><u>Requirement</u></b>	<b><u>Expense</u></b>	<b><u>06/30/2007</u></b>
1. Trust Preferred (Issued March 1, 2001)	\$50,000,000	8.5	-\$1,487,212	\$50,000,000
2. Total	<u>\$50,000,000</u>		<u>-\$1,487,212</u>	<u>\$50,000,000</u>

**The Empire District Electric Company**  
**Long-Term Debt**

**Section H**  
**Schedule 3**  
**09/26/2007**

A	B	C	D
06/30/2007 Unamortized Expense, Discount and Premium	Principal Amount Outstanding	06/30/2007 Projected Unamortized Expense, Discount and Premium	Principal Amount Outstanding

**Bonds and Unsecured Notes:**

1. 7.2% Series, Due 2016	-223,574	25,000,000	**	**	**	**
2. 5.2% Pollution Control Series, Due 2013	-173,305	5,200,000	**	**	**	**
3. 5.3% Pollution Control Series, Due 2013	-243,463	8,000,000	**	**	**	**
4. 7.05% Series, Due 2022	-1,306,460	49,445,000	**	**	**	**
5. 6.7% Series, Due 2033	-2,595,001	62,000,000	**	**	**	**
6. 5.8% Series, Due 7/1/2035	-5,566,075	40,000,000	**	**	**	**
7. 6-1/2% Series, Due 2010	-202,240	50,000,000	**	**	**	**
8. 4.5% Series, Due 2013	-7,970,984	98,000,000	**	**	**	**
9. 8-1/8% Series, Due 2009	-58,153	20,000,000	**	**	**	**
10. 5.875% Series, Due 2037	-1,230,691	80,000,000	**	**	**	**
11. 6.82% Series Due 6-1-2036 - EDG	-725,273	55,000,000	**	**	**	**
12. Long Term Notes Payable Fast Freedom	0	18,558	**	**	**	**
13. Total	-\$20,295,221	\$492,645,000	**	**	**	**

The Empire District Electric Company  
Capital Costs

Section H  
Schedule 4  
09/26/2007

	A	B	C	D
	06/30/2007 Amount Outstanding	Annual Cost	06/30/2007 Projected Amount Outstanding	Annual Cost
<i>Bonds and Unsecured Notes Series:</i>				
1. 7.2% Series, Due 2016	25,000,000	1,800,000	**	**
2. 5.2% Pollution Control Series, Due 2013	5,200,000	270,400	**	**
3. 5.3% Pollution Control Series, Due 2013	8,000,000	424,000	**	**
4. 7.05% Series, Due 2022	49,445,000	3,485,873	**	**
5. 6.7% Series, Due 2033	62,000,000	4,154,000	**	**
6. 5.8% Series, Due 7/1/2035	40,000,000	2,320,000	**	**
7. 8-1/8% Series, Due 2009	20,000,000	1,625,000	**	**
8. 6-1/2% Series, Due 2010	50,000,000	3,250,000	**	**
9. 4.5% Series, Due 2013	98,000,000	4,410,000	**	**
10. 5.875%, Due 2037	80,000,000	4,700,000	**	**
11. 6.82% Series Due 6-1-2036 - EDG	55,000,000	3,751,000	**	**
12. Long Term Notes Payable Fast Freedom	18,558	1,093	**	**
13. Premium, Discount and Expense	-20,295,221	1,984,456	**	**
14. Total	<u>\$472,368,337</u>	<u>\$32,175,822</u>	<u>**</u>	<u>**</u>
15. Annual Cost Rate		6.81%		**
<i>Trust Preferred Series:</i>				
16. Trust Preferred	\$50,000,000	\$4,250,000	**	**
17. Premium and Expense	-\$1,487,212	62,840	**	**
18. Total	<u>\$48,512,788</u>	<u>\$4,312,840</u>	<u>**</u>	<u>**</u>

The Empire District Electric Company  
Test-Year Utility Operating Income  
Statements and Adjustments

Number	Account Name	Total Company		Missouri Jurisdictional		F
		A	B	C	D	
		Actual	Adjustments	Pro Forma	Actual	Adjustments
<i>Electric Utility Operating Revenues:</i>						
440	Residential	\$169,502,179	-\$1,508,824	\$167,993,355	\$150,409,759	-\$1,508,824
442.1	Commercial	123,697,093	-\$5,068,262	118,628,831	113,481,664	-\$5,068,262
442.2-6	Industrial	66,539,562	\$8,567,194	75,106,756	53,904,800	\$8,567,194
444	Public Street & Highway Lighting	2,663,855	0	2,663,855	2,336,719	0
445	Other Sales to Public Authorities	6,706,080	0	6,706,080	5,826,826	0
448	Interdepartmental	106,451	0	106,451	106,451	0
447.2.4	Sales for Resale - On-System	17,543,917	0	17,543,917	0	0
447.1.3	Sales for Resale - Off-System and Other	15,528,126	-392,939	15,135,187	12,683,632	-326,004
	Total Sales of Electricity	402,287,262	1,597,170	403,884,432	338,749,851	1,664,104
450-456	Other Electric Operating Revenues	3,403,451	-10,469	3,392,982	3,020,607	-10,469
	Less: Provision for Rate Refund	0	0	0	0	0
	Total Sales of Electricity	405,690,714	1,586,701	407,277,414	341,770,458	1,653,635
<i>Electric Utility Operating Expenses:</i>						
500-557	Production	190,866,930	15,540,804	206,407,734	157,824,213	12,855,204
560-571	Transmission	4,543,728	37,500	4,581,227	3,769,733	31,112
580-598	Distribution	20,290,886	-1,847,353	18,443,534	18,213,875	-1,658,254
901-905	Customer Accounts	8,741,274	136,449	8,877,724	7,703,565	120,251
907-910	Customer Assistance	1,519,936	-272,375	1,247,560	1,373,647	-275,253
911-916	Sales	346,368	6,440	352,808	305,903	5,688
920-935	Administrative & General	28,767,704	-1,248,984	27,518,719	24,088,026	-1,069,689
403	Depreciation	42,481,068	9,812,217	52,293,286	37,525,253	9,165,982
408.1	Taxes Other Than Income Taxes	20,626,568	-5,398,023	15,228,545	18,019,563	-5,535,271
409.1	Income Taxes - Federal	18,736,379	-2,305,422	16,430,957	15,589,177	-1,962,414
409.1	Income Taxes - State	2,685,026	-103,019	2,582,007	2,234,015	-92,666
410.1	Provision for Deferred Income Taxes	11,107,686	-13,335,233	-2,227,547	9,267,581	-11,138,696
411.1	Provision for Deferred Income Taxes - Cr.	-11,156,322	10,769,847	-386,475	-9,308,160	8,986,602
411.4	Investment Tax Credit Adjustments - Net	-520,598	-10,850	-531,448	-434,355	-7,824
426598	Loss on Plant Disallowance	828,100	-828,100	0	828,100	-828,100
431.1	Interest on Customer Deposits	0	599,219	599,219	0	599,219
	Total Electric Utility Operating Expenses	339,864,733	11,553,117	351,417,850	287,000,134	9,195,890
	<i>Net Electric Utility Operating Income</i>	65,825,980	-9,966,416	55,859,564	54,770,324	-7,542,255
						47,228,069

Section J  
Schedule 1  
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Number	Account Name	A	B	C	D	E	F
		Actual	Total Company Adjustments	Pro Forma	Actual	Missouri Jurisdictional Adjustments	Pro Forma
	Water Utility Operating Revenues:	1,892,606		1,892,606			
	Total Water Operating Expenses	1,447,600		1,447,600			
		445,006		445,006			
	Nonutility revenue	4,487,195		4,487,195			
	Nonutility costs and expenses	3,867,354		3,867,354			
		619,841		619,841			
	Gas revenue	59,546,981		59,546,981			
	Gas costs and expenses	55,511,591		55,511,591			
		4,035,390		4,035,390			
	Allow for Equity Funds used During Const	2,841,441		2,841,441			
	Interest Income	376,530		376,530			
	Prof for Other Income Taxes	-15,346		-15,346			
	Minority Interest	0		0			
	Other Non-operating Income	89,213		89,213			
	Other Non-operating Expense	-1,093,722		-1,093,722			
		2,198,116		2,198,116			
	Long Term Debt						
	Trust Preferred Distributions by Sub	4,250,000		4,250,000			
	Holding Solely Parent Debentures	28,761,292		28,761,292			
	Other	-4,015,348		-4,015,348			
	Allow for Borrowed Funds During Const	2,366,504		2,366,504			
	Short-Term Debt	1,083,178		1,083,178			
	Other	32,445,626		32,445,626			
	Total Interest						
	Net Other Income and Deductions	-30,247,510		-30,247,510			
	Earnings (Loss) from Discontinued Oper	206,482		206,482			
	Net Income	40,885,190 *		30,918,773			
	Preferred Dividend	0		0			
	Net to common	40,885,190		30,918,773			
	End of period earnings per share	\$1.35					
	Wghtd Avg # of Comm Shares - Basic	30,250,125 *					

**The Empire District Electric Company**  
**Explanation of Adjustments to Test-Year**  
**Revenues & Expenses**

**Section J**  
**Schedule 2**  
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**09/27/2007**

	<u>Increase (Decrease)</u>	
	<u>Total Company</u>	<u>Missouri Jurisdictional</u>
	<u>Revenues</u>	<u>Revenues</u>
	<u>Expenses</u>	<u>Expenses</u>
1. To adjust customer growth - Res*	913,234	913,234
2. To adjust customer growth - Comm*	346,824	346,824
3. To adjust customer growth - Ind*	873,345	873,345
4. To normalize weather - Residential*	-2,242,415	-2,242,415
5. To normalize weather - Commercial*	-523,257	-523,257
6. To normalize weather - Industrial*	-568,782	-568,782
7. To reflect rate increase - Res	9,257,745	9,257,745
8. To reflect rate increase - Com	2,851,846	2,851,846
9. To reflect rate increase - Ind	9,019,688	9,019,688
10. To reflect adjusted unbilled - Res*	-3,226,825	-3,226,825
11. To reflect adjusted unbilled - Com*	-3,880,523	-3,880,523
12. To reflect adjusted unbilled - Ind*	363,876	363,876
13. To remove IEC revenue - Res	-2,049,880	-2,049,880
14. To remove IEC revenue - Com	-1,877,574	-1,877,574
15. To remove IEC revenue - Ind	-1,048,728	-1,048,728
16. To add back Praxair Revenue Adjustment	100,320	100,320
17. To Eliminate Franchise Fees - Res*	-4,160,682	-4,160,682
18. To Eliminate Franchise Fees - Com*	-2,026,133	-2,026,133
19. To Eliminate Franchise Fees - Ind*	-176,278	-176,278
20. To Annualize Excess Facilities - Com*	40,555	40,555
21. To Annualize Excess Facilities - Ind*	3,753	3,753
22. To remove water revenue from other revenue	-10,469	-10,469
23. To reclass emission allowances to operating income	69,500	57,661
24. To normalize off-system revenue to 5 year avg	-462,439	-383,666
Total Revenue Adjustment	1,586,701	1,653,635
25. To normalize plant expenses	1,231,930	1,022,079
26. To amortize Asbury outage	188,000	155,975
27. To normalize Asbury SCR equip and Riverton unit expenses	1,676,500	1,390,919
28. To normalize test year payroll	285,100	235,646
29. To amortize the OPSA Catch Up Payments	151,483	125,679
30. To reflect normalization of Fuel/PP	12,007,791	9,924,906
Total Production	15,540,804	12,855,204
31. To normalize test year payroll	37,500	31,112
Total Transmission	37,500	31,112
32. To normalize test year payroll	211,270	189,644
33. To annualize ice storm	-2,058,623	-1,847,899
Total Distribution	-1,847,353	-1,658,254
34. To normalize test year payroll	94,635	83,401
35. To adjust postage for rate increase	41,814	36,850
Total Customer Accounts	136,449	120,251
36. To normalize test year payroll	23,826	20,948
37. To adjust DSM Programs	-296,201	-296,201
Total Customer Assistance	-272,375	-275,253
38. To normalize test year payroll	6,440	5,688
Total Sales Expense	6,440	5,688

The Empire District Electric Company  
Explanation of Adjustments to Test-Year  
Revenues & Expenses

Section J  
Schedule 2  
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	Increase (Decrease)			
	Total Company		Missouri Jurisdictional	
	Revenues	Expenses	Revenues	Expenses
39. To reflect annualized dental and vision insurance		29,827		24,947
40. To normalize test year 401k costs		-115,151		-96,311
41. To normalize test year payroll		200,798		167,945
42. To adjust PSC assessment cost*		55,328		55,328
43. To reflect FAS 87 tracker expense		-1,068,294		-893,511
44. To reflect FAS 106 tracker expense		-1,057,387		-884,388
45. To adjust allocation for gas company		-173,250		-144,904
46. To adjust outside services for Resource Planning		10,749		8,990
47. To reflect amortization of common stock expense		1,076,839		900,657
48. To reflect amortization of rate case expenses*		-208,443		-208,443
Total Administrative & General		-1,248,984		-1,069,689
49. To annualize depreciation expense		4,577,603		3,931,368
50. Amortization Expense		5,234,614		5,234,614
Total Depreciation Expense		9,812,217		9,165,982
51. To annualize property taxes		722,451		620,360
52. To recognize FICA taxes from wage increase (decrease)		244,293		208,862
53. To Eliminate Franchise Fees*		-6,363,093		-6,363,093
54. To recognize FUTA tax from wage increase (decrease)		140		117
55. To recognize SUTA tax from wage increase (decrease)		-1,814		-1,518
Total Taxes Other Than Income Taxes		-5,398,023		-5,535,271
56. To adjust book taxes		-2,305,422		-1,962,414
Total Taxes - Federal		-2,305,422		-1,962,414
57. To adjust book taxes		-103,019		-92,666
Total Taxes - State		-103,019		-92,666
58. To adjust book taxes		-13,335,233		-11,138,696
Total Provision for Deferred Income Tax		-13,335,233		-11,138,696
59. To adjust book taxes		10,769,847		8,986,602
Total Provision for Deferred Income Tax Cr.		10,769,847		8,986,602
60. To adjust book taxes		-10,850		-7,824
Total Provision for Investment Tax Cr.		-10,850		-7,824
61. To include interest on Missouri customer deposits at 9.25% *		599,219		599,219
Total Interest on Customer Deposits		599,219		599,219
62. To eliminate loss on disallowance of plant per ER-2006-0315		-828,100		-828,100
Total loss on disallowance of plant		-828,100		-828,100
Total Adjustments	1,586,701	11,553,117	1,653,635	9,195,890

\*Adjustment made for Missouri jurisdictional only, Total Company adjustment was not calculated

**The Empire District Electric Company**  
**Depreciation Rates and Accruals**  
**Test Year Accrual**

**Section K**  
**Schedule 1**  
**09/27/2007**

		A	B	C
		Actual	Total	Missouri
Acct	Description	Depreciation Rates	Company	Jurisdictional
311	Structures and Improvements	1.05		
312	Boiler Plant and Equipment	1.86		
314	Turbo Generator Units	1.59		
315	Accessory Electric Equipment	1.79		
316	Miscellaneous Power Plant Equipment	1.96		
	Total Steam		\$3,516,595	\$2,917,565
331	Structures and Improvements	1.66		
332	Reservoirs, Dams and Waterways	1.67		
333	Water Wheels, Turbines & Generators	1.47		
334	Accessory Electric Equipment	1.44		
335	Miscellaneous Power Plant Equipment	2.44		
	Total Hydro		78,618	65,226
341	Structures and Improvements	1.82		
342	Fuel Holders, Producers & Accessories	3.85		
343	Prime Movers	1.92		
344	Generators	1.82		
346	Miscellaneous Power Plant Equipment	4.00		
	Total Other Production		7,557,288	6,269,953
	Total Production		\$11,152,501	\$9,252,744
352	Structures and Improvements	2.09		
353	Station Equipment	2.20		
354	Towers and Fixtures	1.92		
355	Poles and Fixtures	3.33		
356	Overhead Conductors and Devices	2.15		
	Total Transmission		3,928,539	3,259,338
361	Structures and Improvements	2.08		
362	Station Equipment	1.89		
364	Poles, Towers and Fixtures	4.35		
365	Overhead Conductors and Devices	3.77		
366	Underground Conduit	3.92		
367	Underground Conductors and Devices	3.59		
368	Line Transformers	2.78		
369	Services	5.00		
370	Meters	2.27		
371	Installations on Customers' Premises	5.80		
373	Street Lighting and Signal Systems	3.13		
	Total Distribution		19,152,783	17,189,671
390	Structures and Improvements	2.75		
391.1	Office Furniture and Equipment	5.00		
391.2	Computer Equipment	10.00		
393	Stores Equipment	3.17		
394	Tools, Shop and Garage Equipment	4.50		
395	Laboratory Equipment	2.63		
397	Communication Equipment	4.00		
398	Miscellaneous Equipment	4.55		
	Total General		2,198,512	1,889,278
	Amortization of Electric Plant		814,119	699,608
	Amount Charged to Operations		\$37,246,454	\$32,290,639
392	Transportation Equipment	7.08	510,467	438,666
396	Power Operated Equipment	6.33	642,842	552,422
	Total Depreciation Provision less amount charged to fuel		\$38,399,763	\$33,281,728
312.5	Unit Coal Trains (Iatan)		0	0
312.7	Unit Coal Trains (Asbury)	6.67	277,937	230,592
	Total Depreciation Provision		\$38,677,700	\$33,512,320

The Empire District Electric Company  
Normalized Depreciation Expense

Section K  
Schedule 2  
Page 1 of 3  
09/27/2007

Acct	Description	A	B	C	D	E
		Total Company	Missouri Jurisdictional	Approved Rate	Proposed Rate	Normalized
310	Land and Land Rights	400,941	332,643			
311	Structures and Improvements	10,505,685	8,716,109	1.05	1.60	139,458
312	Boiler Plant and Equipment	23,631,525	19,606,047	1.86	2.18	427,412
314	Turbo Generator Units	6,540,511	5,426,377	1.59	1.83	99,303
315	Accessory Electric Equipment	1,263,400	1,048,188	1.79	1.75	0
316	Miscellaneous Power Plant Equipment	1,015,217	842,281	1.96	1.55	13,055
	Total Riverton	43,357,279	35,971,646			679,228
310	Land and Land Rights	438,622	363,906			
311	Structures and Improvements	9,388,017	7,788,829	1.06	1.60	124,621
312	Boiler Plant and Equipment	73,324,650	60,834,269	1.87	2.18	1,326,187
312.7	Unit Train	5,580,296	4,629,729	6.67	5.00	0
314	Turbo Generator Units	21,705,315	18,007,955	1.60	1.83	329,546
315	Accessory Electric Equipment	2,372,605	1,968,447	1.79	1.75	34,448
316	Miscellaneous Power Plant Equipment	2,105,877	1,747,155	1.95	1.55	27,081
	Total Asbury	114,915,383	95,340,288			1,841,883
310	Land and Land Rights	122,418	101,565			
311	Structures and Improvements	4,038,196	3,350,315	1.06	1.60	53,605
312	Boiler Plant and Equipment	33,460,632	27,760,829	1.89	2.18	605,186
312.5	Unit Train	0	0	0.00	0.00	0
314	Turbo Generator Units	8,573,422	7,112,995	1.62	1.83	130,168
315	Accessory Electric Equipment	3,705,848	3,074,581	1.81	1.75	53,805
316	Miscellaneous Power Plant Equipment	999,486	829,230	1.95	1.55	12,853
	Total Iatan	50,900,003	42,229,516			855,617
	Total Steam Production	209,172,664	173,541,450			3,376,727
330	Land and Land Rights	226,488	187,907			
331	Structures and Improvements	564,688	468,497	1.66	1.25	5,856
332	Reservoirs, Dams and Waterways	1,450,298	1,203,249	1.67	2.00	24,065
333	Water Wheels, Turbines & Generators	1,611,159	1,336,708	1.47	1.39	18,580
334	Accessory Electric Equipment	812,324	673,950	1.44	1.83	12,333
335	Miscellaneous Power Plant Equipment	366,646	304,190	2.44	1.82	5,536
	Total Ozark Beach (Hydroelectric)	5,031,602	4,174,501			66,371
341	Structures and Improvements	2,533,614	2,102,029	1.82	1.82	38,257
342	Fuel Holders, Producers & Accessories	538,416	446,701	3.85	3.75	16,751
343	Prime Movers	17,343,800	14,389,395	1.92	2.27	326,639
344	Generators	20,599,405	17,090,429	1.82	2.27	387,953
345	Accessory Electric Equipment	10,283,373	8,531,667	3.57	1.67	142,479
346	Miscellaneous Power Plant Equipment	85,325	70,790	4.00	1.82	1,288
	Total Riverton	51,383,933	42,631,011			913,367

The Empire District Electric Company  
Normalized Depreciation Expense

Section K  
Schedule 2  
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09/27/2007

Acct	Description	A	B	C	D	E
		Total Company	Missouri Jurisdictional	Approved Rate	Proposed Rate	Normalized
340	Land and Land Rights	163,097	135,314			0
341	Structures and Improvements	1,942,595	1,611,686	1.82	1.82	29,333
342	Fuel Holders, Producers & Accessories	2,503,056	2,076,676	3.85	3.75	77,875
343	Prime Movers	24,722,300	20,511,016	1.92	2.27	465,600
344	Generators	4,516,458	3,747,109	1.82	2.27	85,059
345	Accessory Electric Equipment	339,416	281,599	3.57	1.67	4,703
346	Miscellaneous Power Plant Equipment	1,321,793	1,096,634	4.00	1.82	19,959
	Total Energy Center Combustion Turbine	35,508,714	29,460,033			682,529
341	Structures and Improvements	1,829,894	1,518,183	1.82	1.82	27,631
342	Fuel Holders, Producers & Accessories	1,055,106	875,376	3.85	3.75	32,827
343	Prime Movers	14,145,268	11,735,712	1.92	2.27	266,401
344	Generators	25,605,696	21,243,931	1.82	2.27	482,237
345	Accessory Electric Equipment	4,393,730	3,645,286	3.57	1.67	60,876
346	Miscellaneous Power Plant Equipment	8,861,770	7,352,225	3.99	1.82	133,810
	Total Energy Center Aero Units	55,891,464	46,370,714			1,003,782
340	Land and Land Rights	288,554	239,401			
341	Structures and Improvements	4,133,564	3,429,438	1.82	1.82	62,416
342	Fuel Holders, Producers & Accessories	5,549,526	4,604,200	3.85	3.75	172,657
343	Prime Movers	40,375,822	33,498,061	1.93	2.27	760,406
344	Generators	11,268,284	9,348,804	1.82	2.27	212,218
345	Accessory Electric Equipment	3,710,093	3,078,103	3.57	1.67	51,404
346	Miscellaneous Power Plant Equipment	509,874	423,020	3.99	1.82	7,699
	Total State Line Combustion Turbine	65,835,716	54,621,026			1,266,800
341	Structures and Improvements	6,763,298	5,611,214	2.86	1.82	102,124
342	Fuel Holders, Producers & Accessories	8,600,066	7,135,100	2.86	3.75	267,566
343	Prime Movers	85,091,482	70,596,697	2.86	2.27	1,602,545
344	Generators	23,467,195	19,469,709	2.86	2.27	441,962
345	Accessory Electric Equipment	7,782,697	6,456,964	2.86	1.67	107,831
346	Miscellaneous Power Plant Equipment	129,193	107,186	2.85	1.82	1,951
	Total State Line CC	131,833,931	109,376,871			2,523,980
	Total Production Plant	554,658,024	460,175,608			9,833,557

The Empire District Electric Company  
Normalized Depreciation Expense

Section K  
Schedule 2  
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09/27/2007

		A	B	C	D	E
		Total	Missouri	Approved	Proposed	Normalized
Acct	Description	Company	Jurisdictional	Rate	Rate	
350	Land and Land Rights	8,713,559	7,229,260			
352	Structures and Improvements	2,357,555	1,955,960	2.09	1.92	37,554
353	Station Equipment	83,568,064	69,332,783	2.20	2.30	1,594,654
354	Towers and Fixtures	799,508	663,317	1.92	1.67	11,077
355	Poles and Fixtures	32,908,392	27,302,660	3.33	4.09	1,116,679
356	Overhead Conductors and Devices	53,424,678	44,324,129	2.15	4.09	1,812,857
	Total Transmission	181,771,756	150,808,110			4,572,822
360	Land and Land Rights	1,773,608	1,592,059			
361	Structures and Improvements	9,128,776	8,194,338	2.08	2.50	204,858
362	Station Equipment	67,074,924	60,209,014	1.89	3.33	2,004,960
364	Poles, Towers and Fixtures	127,047,978	114,043,119	4.35	4.69	5,348,622
365	Overhead Conductors and Devices	117,801,249	105,742,902	3.77	3.88	4,102,825
366	Underground Conduit	20,422,704	18,332,200	3.92	2.22	406,975
367	Underground Conductors and Devices	49,406,844	44,349,471	3.59	3.50	1,552,231
368	Line Transformers	78,938,909	70,858,581	2.78	2.00	1,417,172
369	Services	55,925,194	50,200,591	5.00	5.00	2,510,030
370	Meters	17,634,706	15,829,586	2.27	2.34	370,412
371	Installations on Customers' Premises	13,961,289	12,532,187	5.80	3.93	492,515
373	Street Lighting and Signal Systems	11,796,273	10,588,785	3.13	2.40	254,131
	Total Distribution	570,912,455	512,472,831			18,664,731
389	Land and Land Rights	639,128	549,231			
390	Structures and Improvements	8,594,793	7,385,883	2.75	2.63	194,249
391.1	Office Furniture and Equipment	3,210,989	2,759,344	5.00	4.00	110,374
391.2	Computer Equipment	11,421,987	9,815,415	10.00	10.00	981,542
392	Transportation Equipment	6,934,318	5,958,964	7.08	6.92	412,360
393	Stores Equipment	348,132	299,165	3.17	3.13	9,364
394	Tools, Shop and Garage Equipment	3,628,757	3,118,350	4.50	5.00	155,918
395	Laboratory Equipment	947,054	813,845	2.63	2.38	19,370
396	Power Operated Equipment	10,392,093	8,930,381	6.33	6.33	565,293
397	Communication Equipment	8,020,195	6,892,106	4.00	5.00	344,605
398	Miscellaneous Equipment	220,632	189,599	4.55	4.00	7,584
	General Unrecovered Amortization					628,285
	Total General	54,358,080	46,712,284			3,428,943
	Total Depreciable Plant	\$1,361,700,315	\$1,170,168,833			\$36,500,053
<b>Summary:</b>		<b>Total</b>	<b>Missouri</b>			
		<b>Company</b>	<b>Jurisdictional</b>			
Total Depreciation		\$42,147,613	\$36,500,053			
Total Amortization		814,119	699,608			
Total depreciation & amortization		42,961,732	37,199,661			
Amount Cleared: (Account 392 & 396)		1,137,674	977,653			
Unit Train Depreciation - Asbury		0	0			
Unit Train Depreciation - Iatan		0	0			
Total Depr Charged to Oper less fuel and clearings		41,824,058	36,222,007			
Total Book Depreciation Charged to Operations		37,246,454	32,290,639			
Depreciation Adjustment		\$4,577,603	\$3,931,368			

The Empire District Electric Company  
Taxes Charged to Electric Operations

Section L  
Schedule 1  
09/27/2007

	A	B	C	D	E	F
	Total Company		Missouri Jurisdictional			
	Actual	Adjustments	Pro Forma	Actual	Adjustments	Pro Forma
1. Real and Property	\$10,958,301	\$722,451	\$11,680,752	\$9,409,765	\$620,360	\$10,030,125
2. Federal Insurance Contribution Act	2,203,316	244,293	2,447,609	1,842,832	208,862	2,051,693
3. Federal Unemployment	28,315	140	28,455	23,682	117	23,800
4. State Unemployment	60,241	-1,814	58,426	50,385	-1,518	48,867
5. Payroll Taxes - Iatan	29,693		29,693	24,835		24,835
6. Corporation Franchise	334,192	0	334,192	302,995	0	302,995
7. City Tax or Fee	7,012,510	-6,363,093	649,417	6,357,885	-6,363,093	-5,208
8. Total Taxes Other Than Income Taxes	20,626,568	-5,398,023	15,228,545	18,012,380	-5,535,271	12,477,108
9. Federal Income Taxes	18,167,145	-4,881,658	13,285,487	15,114,243	-4,122,331	10,991,912
10. State Income Taxes	2,685,026	-103,019	2,582,007	2,234,015	-92,666	2,141,349
11. Total Taxes Charged to Electric Operations	\$41,478,739	-\$10,382,700	\$31,096,039	\$35,360,637	-\$9,750,269	\$25,610,368

The Empire District Electric Company  
Calculation of Provision for Income Taxes Payable

Section L  
Schedule 2  
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09/27/2007

	A	B	C	D	E	F
	Total Company		Missouri Jurisdictional		Pro Forma	
	Actual	Adjustments	Pro Forma	Actual	Adjustments	Pro Forma
1. Net Income from Section J, Schedule 1	\$65,825,980	-\$9,966,416	\$55,859,564	\$54,770,324	-\$7,542,255	\$47,228,069
2. Adjustments						
3. Adjusted Net Income	65,825,980	-9,966,416	55,859,564	54,770,324	-7,542,255	47,228,069
<i>Add:</i>						
4. Current Income Tax	21,421,405	-2,408,441	19,012,964	17,823,192	-2,055,080	15,768,112
5. Deferred Income Taxes	-569,234	-2,576,236	-3,145,470	-474,934	-2,159,918	-2,634,852
6. Total Income Tax	20,852,171	-4,984,677	15,867,495	17,348,258	-4,214,998	13,133,260
7. Net Operating Income Before Income Taxes	86,678,152	-14,951,093	71,727,059	72,118,582	-11,757,252	60,361,329
<i>Add:</i>						
8. Book Depreciation	38,399,763	4,577,603	42,977,366	33,281,728	3,931,368	37,213,096
9. Regulatory Amortization	10,469,228		10,469,228	10,469,228		10,469,228
10. Nondeductible Expenses (Meals)	80,000		80,000	66,562	0	66,562
11. Contributions in Aid of Construction	2,124,210		2,124,210	1,767,401	0	1,767,401
12. Non-deductible Club Dues	15,000		15,000	12,480	0	12,480
13. Total Additions	51,088,201	4,577,603	55,665,804	45,597,399	3,931,368	49,528,767
<i>Less:</i>						
14. Interest Sync	28,922,660		28,922,660	25,000,380		25,000,380
15. Tax Depreciation	48,942,605	0	48,942,605	43,814,758	0	43,814,758
16. Total Deductions	77,865,265	0	77,865,265	68,815,138	0	68,815,138
17. Net Taxable Income	59,901,087	-10,373,489	49,527,598	48,900,842	-7,825,884	41,074,958
Provision for Federal Income Tax:						
18. Income Before Federal Income Tax:	59,901,087	-10,373,489	49,527,598	48,900,842	-7,825,884	41,074,958
19. Less: Missouri Income Tax - 100%	3,122,805	-540,798	2,582,007	2,549,333	-407,984	2,141,349
20. Federal Taxable Income	56,778,282	-9,832,691	46,945,590	46,351,509	-7,417,900	38,933,610
21. Federal Income Tax @ 35%	19,872,399	-3,441,442	16,430,957	16,223,028	-2,596,265	13,626,763
Provision for Missouri Income Tax:						
22. Income Before Missouri Income Tax:	59,901,087	-10,373,489	49,527,598	48,900,842	-7,825,884	41,074,958
23. Less: One-Half of Federal Income Tax	9,936,199	-1,720,721	8,215,478	8,111,514	-1,298,132	6,813,382
24. Missouri Taxable Income	49,964,888	-8,652,768	41,312,120	40,789,328	-6,527,752	34,261,577
25. Provision for Missouri Income Tax @ 6.25	\$3,122,805	-\$540,798	\$2,582,007	\$2,549,333	-\$407,984	\$2,141,349

The Empire District Electric Company  
Calculation of Provision for Income Taxes Payable

Section L  
Schedule 2  
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09/27/2007

	A	B	C	D	E	F
	Total Company		Missouri Jurisdictional			
	Actual	Adjustments	Pro Forma	Actual	Adjustments	Pro Forma
Deferred Taxes:						
1. Depreciation - Tax	\$48,942,605	\$0	\$48,942,605	\$43,814,758	\$0	\$43,814,758
2. Depreciation Book	38,399,763	4,577,603	42,977,366	33,281,728	3,931,368	\$37,213,096
3. Regulatory Amortization	-10,469,228		-10,469,228	-10,469,228		-\$10,469,228
4. Depreciation - S/L Life Differences	485,813	0	485,813	421,062	0	421,062
5. Total Depreciation (1-2+3)	559,427	-4,577,603	-4,018,176	484,865	-3,931,368	-3,446,503
6. Interest Capitalized for Tax (Excess over AFUDC Debt)	0	0	0	0	0	0
7. Contributions in Aid of Construction	-2,124,210	0	-2,124,210	-1,767,401	0	-1,767,401
8. Total Deferral Items	-\$1,564,783	-\$4,577,603	-\$6,142,386	-\$1,282,536	-\$3,931,368	-\$5,213,904
9. Deferral Rate	0.3839	0.3839	0.3839	0.3839	0.3839	0.3839
10. Amount Deferred (7x8)	-\$600,699	-\$1,757,279	-\$2,357,978	-\$492,348	-\$1,509,198	-\$2,001,546
11. State Tax Flowed Through Prior to 8/15/94	130,431	0	130,431	130,431	0	130,431
12. Amortization of Excess Deferred	-386,475	0	-386,475	-321,558	0	-321,558
13. Deferred Taxes (9+10+11)	-856,743	-1,757,279	-2,614,022	-683,474	-1,509,198	-2,192,673
14. ITC - Net	-531,448	0	-531,448	-442,179	0	-442,179
15. Net Deferred Taxes (12+13)	-\$1,388,191	-\$1,757,279	-\$3,145,470	-\$1,125,654	-\$1,509,198	-\$2,634,852

## THE EMPIRE DISTRICT ELECTRIC COMPANY

### Basis of Allocation of Property and Expenses

Section M, Schedule 2 shows in detail the bases of allocation, total Company pro forma figures and the pro forma amounts allocated to each of the four states with each separate item necessary to properly allocate rate base components and net electric operating revenue components to each of the four states.

In this process of allocation by states, there are two exceptions to the basic uniform procedure. Those portions of the rate base components and net operating revenue components which relate to off-system wholesale and to on-system wholesale are allocated by procedures using different factors than those used for all other customers.

Kilowatt-hour sales by states are used as the basis of allocating energy costs. However, large volumes of kilowatt-hours have been sold to other utility companies and systems for resale, with such transactions carried out over Company high-voltage transmission facilities installed, used and necessary for on-system operation and protection of service continuity to Empire's own customers. Such off-system kilowatt-hour sales for resale are not a proper basis for allocation of property or operating expenses related to the Company's retail business and are; therefore, deducted from the total.

Three towns in Missouri and one town in Kansas are supplied by Empire at wholesale rates. Amounts of fixed generation property and expense and common transmission property and expense allocated to these on-system wholesale transactions are assigned on the basis of coincident peak demands of these wholesale customers in relation to the total Company system demand. All other property and expense allocations to these seven wholesale customers are made on the same uniform bases used for retail customers.

The Company's generation and transmission system is required by and was constructed to meet the needs of the Company's own customers. Since amounts earned from these off-system wholesale transactions are made possible by the use of these facilities constructed for service to and supported by all of the Company's customers in all four states, the net operating revenue from these off-system wholesale transactions is allocated to on-system jurisdictions based on a twelve-month average coincident peak demand.

After deductions for property and expenses applicable to wholesale transactions, the remaining property and operating costs are then allocated on uniform bases to all retail customers in each of the four states.

Variable production expenses are allocated on the basis of kilowatt-hour sales by jurisdiction. Fixed production expenses are allocated based on a twelve-month average coincident peak demand.

Twelve-month average retail coincident peak demands by states are used as the basis for allocation of remaining property and expenses related to generation and transmission facilities.

All distribution property and related expenses are allocated to states on the basis of actual physical location, except that those portions applicable to on-system wholesale are assigned separately.

Customer accounts expenses are allocated to states on the basis of the number of customers served.

Customer assistance expenses are allocated on the basis of a composite of revenues and number of customers served.

Sales expenses are allocated on the basis of on-system revenues by states.

General property is allocated on the basis of the ratios by states of the sum of all other classes of property as allocated.

Administrative and general expenses are allocated on the basis of the ratio by states of the sum of all other operation and maintenance expenses as allocated except Electric Power Research Institute research and development costs, franchise requirements and regulatory commission expenses, which are assigned directly to jurisdiction of origin.

Depreciation expense is allocated by functional groups of property on the basis of depreciable electric plant in service by functional classes as allocated by states.

Real and personal property taxes are allocated on the basis of electric plant in service as allocated, payroll taxes on the basis of allocated operation and maintenance expenses, and other taxes by state of origin.

Income taxes are calculated on the basis of taxable income by states.

Prepayments are allocated on the basis of electric plant in service as allocated by states.

Fuel inventory is allocated on the basis of kilowatt-hour sales.

Other materials and supplies related to generating plants are allocated on the same basis as allocated generation plant, with the remainder of materials and supplies on the basis of distribution property by states.

Deferred income tax and investment tax credit balances are allocated on the basis of total electric plant in service.

Customer deposits are directly assigned to state of origin.

The Empire District Electric Company  
Allocation of Rate Base

Section M  
Schedule 2  
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A Basis of Allocation Reference	B Total Company	C On-System Wholesale		D Kansas	E Total	F Missouri	G Kansas	H Oklahoma	I Arkansas
		Wholesale							
		Missouri	Kansas						
Electric Utility Plant: 1. Production Plant Adjustments Production Plant Adjusted %	23	554,658,024	32,290,963	1,636,102	520,730,960	460,175,608	30,556,891	13,990,138	16,008,323
		31,000,000	1,804,751	91,442	29,103,806	25,719,350	1,707,834	781,913	894,710
		585,658,024	34,095,714	1,727,544	549,834,766	485,894,958	32,264,724	14,772,051	16,903,033
		100.0000%	5.8218%	0.2950%	93.8832%	82.9656%	5.5091%	2.5223%	2.8862%
2. Transmission Plant Adjustments Transmission Plant Adjusted %	23	181,771,756	10,582,349	536,181	170,653,226	150,808,110	10,014,062	4,584,829	5,246,225
		0	0	0	0	0	0	0	0
		181,771,756	10,582,349	536,181	170,653,226	150,808,110	10,014,062	4,584,829	5,246,225
		100.0000%	5.8218%	0.2950%	93.8832%	82.9656%	5.5091%	2.5223%	2.8862%
3. Distribution Plant Adjustments Distribution Plant Adjusted %	61	570,912,455	2,293,700	107,167	568,511,587	512,472,831	30,141,862	14,005,584	11,891,311
		0	0	0	0	0	0	0	0
		570,912,455	2,293,700	107,167	568,511,587	512,472,831	30,141,862	14,005,584	11,891,311
		100.0000%	0.4018%	0.0188%	99.5795%	89.7638%	5.2796%	2.4532%	2.0829%
Production, Transmission & Distribution 4. Plant Subtotal Adjustments Production, Transmission & Distribution Transmission Plant Adjusted %		1,307,342,234	45,167,012	2,279,450	1,259,895,772	1,123,456,549	70,712,814	32,580,550	33,145,859
		31,000,000	1,804,751	91,442	29,103,806	25,719,350	1,707,834	781,913	894,710
		1,338,342,234	46,971,764	2,370,892	1,288,999,579	1,149,175,899	72,420,648	33,362,463	34,040,569
		100.0000%	3.5097%	0.1772%	96.3132%	85.8656%	5.4112%	2.4928%	2.5435%
5. General Plant* Adjustments General Plant Adjusted %	4	57,301,804	1,979,704	99,910	55,222,189	49,241,954	3,099,396	1,428,030	1,452,808
		-1,697,159	-58,635	-2,959	-1,635,565	-1,458,443	-91,798	-42,295	-43,029
		55,604,645	1,921,069	96,951	53,586,624	47,783,511	3,007,598	1,385,735	1,409,779
		100.0000%	3.4549%	0.1744%	96.3708%	85.9344%	5.4089%	2.4921%	2.5354%
6. Intangible Plant Adjustments Intangible Plant Adjusted %	4,62	9,989,617	345,129	17,418	9,627,071	8,584,516	540,328	248,953	253,273
		0	0	0	0	0	0	0	0
		9,989,617	345,129	17,418	9,627,071	8,584,516	540,328	248,953	253,273
		100.0000%	3.4549%	0.1744%	96.3708%	85.9344%	5.4089%	2.4921%	2.5354%
7. Total Electric Utility Plant Adjustments Total Electric Utility Plant Adjusted %		1,374,633,655	47,491,845	2,396,777	1,324,745,032	1,181,283,020	74,352,539	34,257,534	34,851,940
		29,302,841	1,746,116	88,483	27,468,241	24,260,907	1,616,036	739,618	851,681
		1,403,936,496	49,237,962	2,485,261	1,352,213,274	1,205,543,927	75,968,574	34,997,152	35,703,621
		100.0000%	3.5071%	0.1770%	96.3158%	85.8688%	5.4111%	2.4928%	2.5431%

\*Includes \$815,082 of property under capital lease.

A Basis of Allocation Reference	B Total Company	C On-System Wholesale		D Kansas	E Total	F Missouri	G Kansas	H Oklahoma	I Arkansas
		Missouri	Kansas						
Electric Utility Depreciation Reserve:									
8. Production Reserve	182,981,607	10,652,784	539,750	171,789,073	151,811,871	0	10,080,714	4,615,345	5,281,144
Adjustments	0	0	0	0	0	0	0	0	0
Production Reserve Adjusted	182,981,607	10,652,784	539,750	171,789,073	151,811,871	0	10,080,714	4,615,345	5,281,144
9. Transmission Reserve	58,897,493	3,428,882	173,733	55,294,878	48,864,685	3,244,746	3,244,746	1,485,571	1,699,876
Adjustments	210,019	12,227	620	197,171	174,243	11,570	11,570	5,297	6,061
Transmission Reserve Adjusted	59,107,511	3,441,109	174,352	55,492,049	49,038,928	3,256,316	3,256,316	1,490,868	1,705,937
10. Distribution Reserve	216,323,423	867,281	40,221	215,415,921	194,150,813	11,434,113	11,434,113	5,316,986	4,514,010
Adjustments	1,677,617	6,726	312	1,670,579	1,505,666	88,673	88,673	41,234	35,007
Distribution Reserve Adjusted	218,001,041	874,007	40,533	217,086,501	195,656,478	11,522,786	11,522,786	5,358,220	4,549,016
11. General Reserve	30,194,672	1,043,188	52,647	29,098,838	25,947,607	1,633,199	1,633,199	752,488	765,544
Adjustments	-787,144	-27,195	-1,372	-795,711	-676,427	-42,576	-42,576	-19,617	-19,957
General Reserve Adjusted	29,407,528	1,015,993	51,274	28,340,261	25,271,180	1,590,623	1,590,623	732,871	745,587
12. Amortization of Electric Plant	6,492,941	224,323	11,321	6,257,298	5,579,669	351,197	351,197	161,812	164,620
Adjustments	0	0	0	0	0	0	0	0	0
Amortization of Electric Plant Adjusted	6,492,941	224,323	11,321	6,257,298	5,579,669	351,197	351,197	161,812	164,620
13. Regulatory Plan Amortization	5,234,614	0	0	5,234,614	5,234,614	0	0	0	0
Adjustments	0	0	0	0	0	0	0	0	0
Regulatory Plan Amortization Adjusted	5,234,614	0	0	5,234,614	5,234,614	0	0	0	0
14. Total Electric Utility Depreciation Reserve and Amortization	500,124,751	16,216,457	817,671	483,090,623	431,589,259	26,743,968	26,743,968	12,332,202	12,425,194
Adjustments	1,100,492	-8,242	-441	1,109,173	1,003,482	57,667	57,667	26,914	21,111
Total Electric Utility Depreciation Reserve and Amortization Adjusted	501,225,243	16,208,215	817,230	484,199,796	432,592,741	26,801,635	26,801,635	12,359,116	12,446,304
15. Construction Work in Progress:									
Production	90,231,980	5,253,106	266,162	84,712,712	74,861,544	4,971,007	4,971,007	2,275,921	2,604,240
Adjustments	0	0	0	0	0	0	0	0	0
Production Adjusted	90,231,980	5,253,106	266,162	84,712,712	74,861,544	4,971,007	4,971,007	2,275,921	2,604,240
Transmission	13,328,294	775,944	39,315	12,513,035	11,057,905	734,274	734,274	336,180	384,676
Adjustments	0	0	0	0	0	0	0	0	0
Transmission Adjusted	13,328,294	775,944	39,315	12,513,035	11,057,905	734,274	734,274	336,180	384,676
Distribution	7,965,750	0	0	7,965,750	6,729,896	55,084	55,084	174,716	1,006,052
Adjustments	0	0	0	0	0	0	0	0	0
Distribution Adjusted	7,965,750	0	0	7,965,750	6,729,896	55,084	55,084	174,716	1,006,052
General	600,261	20,738	1,047	578,476	515,831	32,468	32,468	14,959	15,219
Adjustments	0	0	0	0	0	0	0	0	0
General Adjusted	600,261	20,738	1,047	578,476	515,831	32,468	32,468	14,959	15,219
Capital Leases	0	0	0	0	0	0	0	0	0
Adjustments	0	0	0	0	0	0	0	0	0
Capital Leases Adjusted	0	0	0	0	0	0	0	0	0
Strategic Planning	-39,664	-1,370	-69	-38,225	-34,085	-2,145	-2,145	-988	-1,006
Adjustments	0	0	0	0	0	0	0	0	0
Strategic Planning Adjusted	-39,664	-1,370	-69	-38,225	-34,085	-2,145	-2,145	-988	-1,006
Total Construction Work in Progress	112,086,621	6,048,418	306,454	105,731,749	93,131,092	5,790,688	5,790,688	2,800,788	4,009,181
Adjustments	0	0	0	0	0	0	0	0	0
Total Construction Work in Progress Adjusted	112,086,621	6,048,418	306,454	105,731,749	93,131,092	5,790,688	5,790,688	2,800,788	4,009,181

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A Basis of Allocation Reference	B Total Company	C On-System Wholesale		E Total	F Retail				
		D			Missouri	Kansas	Oklahoma	Arkansas	
		Missouri	Kansas						
16. Materials and Supplies (13-Month Avg):									
Fuel	12,242,316	773,891	32,363	11,436,062	10,118,751	610,912	339,772	366,627	
Adjustments	-388,914	-24,585	-1,028	-363,301	-321,453	-19,407	-10,794	-11,647	
Fuel Adjusted	11,853,402	749,306	31,335	11,072,761	9,797,298	591,504	328,978	354,980	
Other Production Materials	9,048,230	526,768	26,690	8,494,772	7,506,922	498,480	228,223	261,146	
Adjustments	0	0	0	0	0	0	0	0	
Other Production Materials Adjusted	9,048,230	526,768	26,690	8,494,772	7,506,922	498,480	228,223	261,146	
Transmission & Distribution Materials	15,816,973	63,546	2,969	15,750,458	14,197,919	835,072	388,021	329,446	
Adjustments	-34,013	-138	-6	-33,869	-30,531	-1,796	-834	-708	
Transmission & Distribution Materials Adjusted	15,782,960	63,408	2,963	15,716,589	14,167,388	833,276	387,187	328,738	
Clearing Account Materials	170,130	5,878	297	163,956	146,201	9,202	4,240	4,313	
Adjustments	0	0	0	0	0	0	0	0	
Clearing Account Materials Adjusted	170,130	5,878	297	163,956	146,201	9,202	4,240	4,313	
Total Materials and Supplies	37,277,650	1,370,083	62,318	35,845,248	31,969,793	1,953,666	960,257	961,533	
Adjustments	-422,927	-24,723	-1,034	-397,170	-351,984	-21,203	-11,628	-12,355	
Total Materials and Supplies Adjusted	36,854,723	1,345,360	61,284	35,448,078	31,617,809	1,932,462	948,629	949,178	
17. Prepayments - 13-Month Average	3,068,473	106,012	5,350	2,957,111	2,636,874	165,971	76,470	77,797	
Adjustments	71,481	2,470	125	68,886	61,427	3,866	1,781	1,812	
Prepayments Adjusted	3,139,954	108,482	5,475	3,025,997	2,698,301	169,837	78,251	79,609	
18. Cash Working Capital	3,668,671			3,668,671					
Deferred Income Taxes:									
19. Liberalized Depreciation	115,817,545	4,590,019	214,557	111,012,970	97,609,649	7,155,506	3,169,116	3,078,699	
Adjustments									
Liberalized Depreciation Adjusted	115,817,545	4,590,019	214,557	111,012,970	97,609,649	7,155,506	3,169,116	3,078,699	
Investment Tax Credit:									
20. Prior 1971 Additions	437	15	1	421	376	24	11	11	
21. Customer Deposits	7,211,058	0	0	7,211,058	6,478,038	313,009	209,624	210,387	
22. Kilowatt-Hour Sales	5,506,248,955								
Less Off-System Wholesale	359,157,000								
System Kilowatt-Hour Sales	5,147,091,955	325,370,580	13,606,400	4,808,114,975	4,254,271,685	256,848,441	142,852,016	154,142,833	
%	100.00000%	6.3214%	0.2644%	93.4142%	82.6539%	4.9902%	2.7754%	2.9948%	
23. 12-Month Average Coincident Peak Demand	943,583	54,933	2,783	885,867	782,850	51,983	23,800	27,233	
%	100.00000%	5.8218%	0.2950%	93.8832%	82.9656%	5.5091%	2.5223%	2.8862%	
Depreciable Distribution Plant:									
24. Total Distribution Plant	570,912,455	2,293,700	107,167	568,511,587	512,472,831	30,141,862	14,005,584	11,891,311	
Less Nondepreciable Distribution Plant	1,773,608	11,916	1,347	1,760,345	1,669,295	59,139	16,791	15,120	
Depreciable Distribution Plant	569,138,846	2,281,784	105,820	566,751,242	510,803,536	30,082,723	13,988,792	11,876,191	
%	100.00000%	0.4009%	0.0186%	99.5805%	89.7502%	5.2857%	2.4579%	2.0867%	

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A Basis of Allocation Reference	B Total Company	C On-System Wholesale		D Kansas	E Total	F Missouri	G Kansas	H Oklahoma	I Arkansas
		Missouri	Kansas						
25. Electric Operating Revenues: Residential Adjustments Residential Adjusted	169,302,179 -1,508,824 167,993,355	0 0 0	0 0 0	0 0 0	169,302,179 -1,508,824 167,993,355	150,409,759 -1,508,824 148,900,936	10,887,447 0 10,887,447	4,491,068 0 4,491,068	3,713,905 0 3,713,905
26. Commercial Adjustments Commercial Adjusted	123,697,093 -5,068,262 118,628,831	0 0 0	0 0 0	0 0 0	123,697,093 -5,068,262 118,628,831	113,481,664 -5,068,262 108,413,403	4,985,222 0 4,985,222	2,696,860 0 2,696,860	2,533,346 0 2,533,346
27. Industrial Adjustments Industrial Adjusted	66,539,562 8,567,194 75,106,756	0 0 0	0 0 0	0 0 0	66,539,562 8,567,194 75,106,756	53,904,800 8,567,194 62,471,995	4,964,659 0 4,964,659	2,972,419 0 2,972,419	4,697,685 0 4,697,685
28. Public Street & Hwy Lighting Adjustments Public Street & Hwy Lighting Adjusted	2,663,855 0 2,663,855	0 0 0	0 0 0	0 0 0	2,663,855 0 2,663,855	2,336,719 0 2,336,719	173,533 0 173,533	83,602 0 83,602	70,001 0 70,001
29. Other Public Authorities Adjustments Other Public Authorities Adjusted	6,706,080 0 6,706,080	0 0 0	0 0 0	0 0 0	6,706,080 0 6,706,080	5,826,826 0 5,826,826	386,801 0 386,801	223,206 0 223,206	269,247 0 269,247
30. Interdepartmental Adjustments Interdepartmental Adjusted	106,451 0 106,451	0 0 0	0 0 0	0 0 0	106,451 0 106,451	106,451 0 106,451	0 0 0	0 0 0	0 0 0
31. On-System Wholesale	17,543,917	16,798,964	744,954	744,954	0	0	0	0	0
Total On-System Revenue from Sale of Electricity Adjustments	386,759,136 1,990,109	16,798,964 0	744,954 0	744,954 0	369,215,219 1,990,109	326,066,219 1,990,109	21,397,661 0	10,467,154 0	11,284,184 0
Total On-System Revenue from Sale of Electricity Adjusted Less Provision for Rate Refund	388,749,245 0	16,798,964 0	744,954 0	744,954 0	371,205,328 0	328,056,328 0	21,397,661 0	10,467,154 0	11,284,184 0
Total On-System Revenue Adjusted Less Provision for Rate Refund	388,749,245	16,798,964	744,954	744,954	371,205,328	328,056,328	21,397,661	10,467,154	11,284,184
33. Other Electric Operating Revenues Adjustments Other Electric Operating Revenues Adjusted	3,403,451 -10,469 3,392,982	0 0 0	0 0 0	0 0 0	3,403,451 -10,469 3,392,982	3,020,607 -10,469 3,010,138	207,740 0 207,740	106,102 0 106,102	69,002 0 69,002
34. Total On-System Electric Revenues % Adjustments Total On-System Revenues Adjusted	390,162,587 100,00009% 1,979,640 392,142,227	16,798,964 4,3056% 0 16,798,964	744,954 0.19099% 0 744,954	744,954 0 744,954	372,618,670 95,5034% 1,979,640 374,598,310	329,086,826 84,3461% 1,979,640 331,066,466	21,605,402 5,5375% 0 21,605,402	10,573,257 2,7100% 0 10,573,257	11,353,186 2,9099% 0 11,353,186
35. Off-System Wholesale Adjustments Off-System Wholesale Adjusted	15,528,126 -392,939 15,135,187	1,095,932 -22,876 1,073,056	55,528 -1,159 54,369	55,528 -1,159 54,369	14,376,666 -368,904 14,007,762	12,683,632 -326,904 12,357,628	856,201 -21,648 834,554	386,613 -9,911 376,702	448,219 -11,341 436,879
36. Total Electric Operating Revenues Adjustments Total Electric Operating Revenues Adjusted	405,690,714 1,586,701 407,277,414	17,894,896 -22,876 17,872,020	800,482 -1,159 799,323	800,482 -1,159 799,323	386,995,336 1,610,736 388,606,072	341,770,458 1,653,635 343,424,094	22,461,603 -21,648 22,439,955	10,961,870 -9,911 10,951,959	11,801,405 -11,341 11,790,064

	A Basis of Allocation Reference	B Total Company	C On-System Wholesale		D Kansas	E Total	F Missouri	G Kansas	Retail		
			Missouri	Kansas					Oklahoma	Arkansas	
Electric Operating Expenses:											
37.	Production Expense:										
	Off-System Wholesale										
	Adjustments	23	9,807,242	612,220	26,400	9,168,622	8,110,896	497,436	268,269	292,021	0
	Off-System Wholesale Expense Adjusted		9,807,242	612,220	26,400	9,168,622	8,110,896	497,436	268,269	292,021	0
	a. Variable Production Expense	22	149,991,946	9,478,873	396,389	140,116,684	123,937,764	7,526,704	4,161,643	4,490,573	368,142
	Adjustments		12,292,891	777,088	32,496	11,483,306	10,160,552	613,436	341,176	4,858,715	4,858,715
	Variable Production Expense Adjusted		162,284,837	10,255,962	428,885	151,599,990	134,098,316	8,140,139	4,502,819	4,858,715	4,858,715
	b. Fixed Production Expense	23	31,067,742	1,808,695	91,642	29,167,405	25,775,553	1,711,566	783,622	896,665	93,740
	Adjustments		3,247,913	189,086	9,581	3,049,246	2,694,652	178,932	81,922	990,405	990,405
	Fixed Production Expense Adjusted		34,315,655	1,997,781	101,223	32,216,651	28,470,204	1,890,498	865,544	5,387,238	461,882
	c. Total On-System Production Expense		181,059,688	11,287,568	488,031	169,284,089	149,713,317	9,238,269	4,945,264	5,849,120	5,849,120
	Adjustments		15,540,804	966,175	42,077	14,532,552	12,855,204	792,368	423,098	5,368,363	5,368,363
	Total On-System Production Expense Adjusted		196,600,492	12,253,743	530,108	183,816,641	162,568,521	10,030,637	5,368,363	131,139	131,139
	38. Transmission Expense	2	4,543,728	264,526	13,403	4,265,799	3,769,733	250,320	114,606	1,082	1,082
	Adjustments		37,500	2,183	111	35,206	31,112	2,066	946	132,222	132,222
	Transmission Expense Adjusted		4,581,227	266,709	13,513	4,301,005	3,800,845	252,386	115,552	422,631	422,631
	39. Distribution Expense	3	20,290,886	81,521	3,809	20,205,557	18,213,875	1,071,276	497,775	-38,478	-38,478
	Adjustments		-1,847,353	-7,422	-347	-1,839,584	-1,658,254	-97,533	-45,319	384,153	384,153
	Distribution Expense Adjusted		18,443,534	74,099	3,462	18,365,973	16,555,620	973,744	452,455	225,829	225,829
	40. Customer Accounts Expense	59	8,741,274	156	52	8,741,067	7,703,565	533,278	278,395	3,525	3,525
	Adjustments		136,449	2	1	136,446	120,251	8,324	4,346	229,354	229,354
	Customer Accounts Expense Adjusted		8,877,724	158	53	8,877,513	7,823,816	541,603	282,741	31,836	31,836
	41. Customer Assistance Expense	59	1,519,936	22	7	1,519,907	1,373,647	75,178	39,246	626	626
	Adjustments		-272,375	0	0	-272,376	-275,253	1,479	772	32,462	32,462
	Customer Assistance Expense Adjusted		1,247,560	22	7	1,247,530	1,098,393	76,657	40,018	10,553	10,553
	42. Sales Expense	34	346,368	0	0	346,368	305,903	20,083	9,828	196	196
	Adjustments		6,440	0	0	6,440	5,688	373	183	10,750	10,750
	Sales Expense Adjusted		352,808	0	0	352,808	311,591	20,457	10,011	6,501,247	6,501,247
	43. Subtotal		226,309,122	12,246,013	531,702	213,531,408	189,190,934	11,685,842	6,153,385	292,021	292,021
	Less Off-System Wholesale		9,807,242	612,220	26,400	9,168,622	8,110,896	497,436	268,269	6,209,226	6,209,226
	System Subtotal		216,501,880	11,633,793	505,302	204,362,785	181,080,038	11,188,405	5,885,115	2,8680	2,8680
	%		100.0000	5.3735	0.2334	94.3931	83.6390	5.1678	2.7183	428,834	428,834
	Adjustments		13,601,465	960,939	41,842	12,598,684	11,078,747	707,078	384,025	6,638,060	6,638,060
	System Subtotal Adjusted		230,103,345	12,594,731	547,144	216,961,470	192,158,786	11,895,483	6,269,141		

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A Basis of Allocation Reference	B Total Company	C On-System Wholesale		E Total	F Missouri	G Kansas	H Retail		I Arkansas
		Missouri	Kansas				Oklahoma	Arkansas	
44. Administrative and General Expenses:									
a. Research and Development Adjustments	61	0	0	0	0	0	0	0	0
Research and Development Adjusted		0	0	0	0	0	0	0	0
b. Franchise Requirements Adjustments	61	0	0	0	0	0	0	0	0
Franchise Requirements Adjusted		0	0	0	0	0	0	0	0
c. Regulatory Commission Adjustments	61	1,167,587	12,751	1,154,165	1,003,560	106,308	8,705	35,591	
Regulatory Commission Adjusted		-208,443		-208,443	-208,443				
Regulatory Commission Adjusted		959,144	12,751	945,722	795,117	106,308	8,705	35,591	
d. Other Administrative & General Adjustments	43	27,600,117	1,483,100	26,052,599	23,084,466	1,426,322	750,247	791,565	
Other Administrative & General Adjusted		-1,040,541	-58,887	-979,097	-861,246	-56,633	-29,789	-31,429	
Other Administrative & General Adjusted		26,559,576	1,424,214	25,073,503	22,223,220	1,369,689	720,458	760,136	
e. Total Administrative & General Expense Adjustments		28,767,704	1,495,852	27,206,764	24,088,026	1,532,630	758,952	827,157	
Total Administrative & General Adjusted		-1,248,984	-58,887	-1,187,540	-1,069,689	-56,633	-29,789	-31,429	
45. Total System Electric Operating Expense Adjustments		27,518,719	1,436,965	26,019,224	23,018,337	1,475,997	729,163	795,727	
Adjusted System Electric Operating Expense Plus Off-System Wholesale		245,269,584	13,129,644	231,569,549	205,168,064	12,721,035	6,644,067	7,036,383	
Total Adjusted System Electric Operating Expense		12,352,481	902,052	11,411,145	10,009,058	650,445	354,237	397,405	
46. Production Adjustments	1	700,065	40,756	657,243	580,813	38,568	17,658	20,205	
Production Adjusted		11,852,565	690,030	11,127,573	9,833,557	652,974	298,957	342,084	
47. Transmission Adjustments	2	3,928,539	228,711	3,688,240	3,259,338	216,429	99,090	113,384	
Transmission Adjusted		1,583,165	92,168	1,486,327	1,313,483	87,219	39,932	45,693	
48. Distribution Adjustments	24	1,640,373	95,499	1,486,327	1,313,483	87,219	39,932	45,693	
Distribution Adjusted		20,793,156	320,879	5,174,567	4,572,822	303,648	139,022	159,077	
49. General Adjustments	5	2,198,512	75,956	19,072,435	17,189,671	1,012,350	470,754	399,660	
General Adjusted		654,000	38,074	1,540,035	1,475,061	34,937	16,246	13,792	
50. Amortization of Electric Plant Adjustments	4	814,119	28,127	20,612,470	18,664,731	1,047,287	487,000	413,453	
Amortization of Electric Plant Adjusted		0	0	784,573	699,608	44,035	20,289	20,641	
51. Regulatory Plan Amortization Adjustments	61	5,234,614	0	5,234,614	5,234,614	0	0	0	
Amortization of Electric Plant Adjusted		10,469,228	0	10,469,228	10,469,228	0	0	0	
52. Total Depreciation Expense Adjustments		42,481,068	1,058,854	41,368,915	37,525,253	2,006,136	926,221	911,304	
Total Depreciation Expense Adjusted		9,812,217	1,325,352	4,297,603	9,165,982	187,666	86,249	92,319	
		52,293,286		50,901,132	46,691,235	2,193,802	1,012,471	1,003,624	

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A Basis of Allocation Reference	B Total Company	C On-System Wholesale		D Kansas	E Total	F Missouri	G Kansas	H Oklahoma	I Arkansas
		On-System Wholesale							
		Missouri	Kansas						
53. Taxes Other Than Income Taxes:									
a. Property Taxes									
Adjustments	7	10,958,301	378,595	19,107	10,560,599	9,416,949	592,723	273,094	277,833
Property Taxes Adjusted		722,451	25,337	1,279	695,835	620,360	39,093	18,009	18,373
		11,680,752	403,933	20,386	11,256,433	10,037,309	631,816	291,103	296,205
b. Payroll Taxes	43	2,321,564	124,750	5,418	2,191,396	1,941,734	119,974	63,106	66,582
Adjustments		242,619	11,547	502	230,571	207,461	11,105	5,841	6,163
Payroll Taxes Adjusted		2,564,184	136,297	5,920	2,421,967	2,149,195	131,079	68,948	72,745
c. Other Taxes	61	7,346,703	0	0	7,346,703	6,660,881	396,298	140,113	149,411
Adjustments		-6,363,093	0	0	-6,363,093	297,788	396,298	140,113	149,411
Other Taxes Adjusted		983,610	0	0	983,610	0	0	0	0
Total Taxes Other Than Income Taxes		20,626,568	503,345	24,525	20,098,698	18,019,563	1,108,995	476,314	493,826
Adjustments		-5,398,023	36,884	1,780	-5,436,688	-5,535,271	50,198	23,850	24,536
Total Taxes Other Than Income Taxes Adjusted		15,228,545	540,230	26,305	14,662,010	12,484,292	1,159,193	500,164	518,361
54. Less Loss on Disallowance of Plant	61	828,100	0	0	828,100	828,100	0	0	0
Adjustments		-828,100	0	0	-828,100	0	0	0	0
Less Loss on Disallowance of Plant Adjusted		0	0	0	0	0	0	0	0
55. Net Elec Operating Income Before Inc Tax		86,678,152	2,590,832	125,868	83,961,452	72,118,582	6,128,000	2,646,999	3,067,872
Less Off-System Wholesale		5,720,884	483,713	29,128	5,208,043	4,572,736	358,765	120,344	156,199
System Net Electric Operating Income		80,957,267	2,107,120	96,739	78,753,408	67,545,846	5,769,235	2,526,655	2,911,673
Adjustments		-14,351,874	-1,228,310	-55,726	-7,833,224	-11,158,034	-909,956	-474,248	-525,601
Net On-System Electric Operating Income		66,605,393	878,809	41,013	70,920,184	56,387,812	4,859,279	2,052,407	2,386,073
Before Income Taxes Adjusted									
56. State Income Taxes	63	2,685,026	80,256	3,899	2,600,871	2,234,015	189,827	81,996	95,033
Less Off-System Wholesale		177,216	14,984	902	161,329	141,649	11,113	3,728	4,839
System State Income Taxes		2,507,810	65,272	2,997	2,439,542	2,092,365	178,713	78,268	90,195
Adjustments		-103,019	-1,842	-89	-101,087	-92,666	-4,357	-1,882	-2,181
System State Income Taxes Adjusted		2,404,792	63,430	2,907	2,338,455	1,999,699	174,356	76,386	88,013
57. Federal Income Taxes	63	18,167,145	545,219	26,527	17,595,398	15,114,243	1,284,065	554,410	642,679
Less Off-System Wholesale		1,236,628	104,559	6,296	1,125,772	988,444	77,551	26,014	33,764
System Federal Income Taxes		16,930,517	440,660	20,231	16,469,626	14,125,799	1,206,515	528,397	608,915
Adjustments		-4,881,658	-135,609	-6,598	-4,739,451	-4,122,331	-319,376	-137,895	-159,849
System Federal Income Taxes Adjusted		12,048,859	305,051	13,633	11,730,174	10,003,467	887,138	390,502	449,066
58. Net Electric Operating Income		65,825,980	1,965,357	95,441	63,765,183	54,770,324	4,654,107	2,010,592	2,330,159
Less Off-System Wholesale		4,307,040	364,169	21,930	3,920,942	3,442,642	270,101	90,602	117,596
System Net Electric Operating Income		61,518,940	1,601,187	73,512	59,844,241	51,327,682	4,384,007	1,919,990	2,212,563
Adjustments (Includes Int on Cust Dep)		9,966,416	1,090,859	49,039	8,826,518	7,542,255	586,222	334,471	363,570
System Net Electric Operating Income Adjusted		51,552,524	510,328	24,473	51,017,723	43,785,427	3,797,785	1,585,519	1,848,993

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A Basis of Allocation Reference	B Total Company	C On-System Wholesale		D Kansas	E Total	F Missouri	G Retail			H Oklahoma	I Arkansas
		Missouri	Kansas				Kansas	Kansas			
59. Number of Electric Customers	165,512										
Less Off-System Wholesale	20										
Number of System Electric Customers	165,492	3	1		165,488	145,503	10,272		5,363		4,350
60. Off-System Wholesale:											
Revenues	15,528,126	1,095,932	55,528		14,376,666	12,683,632	856,201		388,613		448,219
Operating Expenses	9,807,242	612,220	26,400		9,168,622	8,110,896	497,436		268,269		292,021
Income Taxes	1,413,844	119,543	7,199		1,287,102	1,130,094	88,664		29,741		38,603
Net Operating Income	4,307,040	364,169	21,930		3,920,942	3,442,642	270,101		90,602		117,596

61. Assigned directly on basis of location

62. Intangible plant allocated to wholesale pertains to Stockton Line

63. Income taxes calculated by applying appropriate tax rates to taxable income by jurisdictions

The Empire District Electric Company  
Allocation of Rate Base  
13-Month Averages

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	A	B	C	D	E	F
	Fuel	Other Production	Line Materials	Clearing Accts. (Electric)	Prepayments	Total
June-06	13,046,904	8,991,350	14,543,250	45,075	3,384,498	40,011,078
July-06	11,207,044	9,001,984	15,190,100	23,406	3,011,345	38,433,879
August-06	9,267,815	8,999,093	15,370,033	26,176	2,742,777	36,405,893
September-06	9,734,031	9,016,211	15,378,388	-31,164	4,117,698	38,215,164
October-06	10,773,638	9,009,583	15,239,488	-61,692	3,678,918	38,639,936
November-06	12,014,466	9,012,119	15,379,799	-101,359	2,353,442	38,658,468
December-06	12,213,322	9,043,749	15,017,561	53,297	3,212,302	39,540,230
January-07	11,457,218	9,105,681	15,763,281	636,741	3,167,273	40,130,195
February-07	11,994,124	9,090,846	16,075,431	1,246,318	3,009,953	41,416,673
March-07	14,949,950	9,090,309	16,760,219	121,669	2,471,587	43,393,732
April-07	12,797,337	9,082,607	16,779,964	97,199	2,115,004	40,872,112
May-07	14,837,551	9,105,015	17,383,338	82,582	3,387,358	44,795,844
June-07	14,856,713	9,078,437	16,739,799	73,449	3,237,997	43,986,395
13 Month Total	159,150,113	117,626,985	205,620,651	2,211,696	39,890,154	524,499,599
13 Month Average	12,242,316	9,048,230	15,816,973	170,130	3,068,473	40,346,123

The Empire District Electric Company  
Allocation of Rate Base  
12-Month Average - Peak

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	A Total Company	B Missouri Wholesale		C Kansas Wholesale		D Total Retail	E Missouri Retail	F Kansas Retail		G Oklahoma Retail		H Arkansas Retail	
July-06	1,159,000	71,000		3,800		1,084,200	955,300	66,000		28,500		34,400	
August-06	1,133,000	69,000		3,700		1,060,300	926,800	68,000		30,200		35,300	
September-06	854,000	56,200		2,500		795,300	699,100	43,900		24,100		28,200	
October-06	875,000	56,100		2,600		816,300	714,100	53,100		20,600		28,500	
November-06	902,000	45,900		2,800		853,300	755,400	53,400		22,800		21,700	
December-06	1,030,000	53,800		2,800		973,400	864,800	54,900		24,300		29,400	
January-07	1,030,000	63,200		3,000		963,800	843,800	61,800		29,400		28,800	
February-07	1,059,000	51,400		2,900		1,004,700	897,000	60,000		24,300		23,400	
March-07	767,000	47,200		2,300		717,500	632,200	43,000		19,600		22,700	
April-07	727,000	36,700		1,900		688,400	622,300	35,700		15,500		14,900	
May-07	843,000	51,400		2,400		789,200	696,900	36,000		27,100		29,200	
June-07	944,000	57,300		2,700		884,000	786,500	48,000		19,200		30,300	
13 Month Total	11,323,000	659,200		33,400		10,630,400	9,394,200	623,800		285,600		326,800	
12 Month Average	943,583	54,933		2,783		885,867	782,850	51,983		23,800		27,233	

The Empire District Electric Company  
Allocation of Rate Base  
12-Month Averages - Customers

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	A		B		C		D		E		F		G		H	
	Total	Company	Missouri	Wholesale	Kansas	Wholesale	Total	Retail	Missouri	Retail	Kansas	Retail	Oklahoma	Retail	Arkansas	Retail
July-06	163,946		3		1		163,942	143,960	10,269	5,404	4,309					
August-06	164,480		3		1		164,476	144,483	10,261	5,411	4,321					
September-06	164,691		3		1		164,687	144,726	10,253	5,384	4,324					
October-06	164,976		3		1		164,972	145,000	10,260	5,368	4,344					
November-06	165,476		3		1		165,472	145,454	10,294	5,365	4,359					
December-06	165,751		3		1		165,747	145,708	10,295	5,374	4,370					
January-07	165,857		3		1		165,853	145,834	10,293	5,360	4,366					
February-07	166,043		3		1		166,039	146,016	10,285	5,358	4,380					
March-07	166,173		3		1		166,169	146,153	10,296	5,357	4,363					
April-07	166,165		3		1		166,161	146,180	10,287	5,338	4,356					
May-07	166,168		3		1		166,164	146,242	10,254	5,320	4,348					
June-07	166,175		3		1		166,171	146,275	10,222	5,313	4,361					
12 Month Total	1,985,901		36		12		1,985,853	1,746,031	123,269	64,352	52,201					
12 Month Average	165,492		3		1		165,488	145,503	10,272	5,363	4,350					

The Empire District Electric Company  
Allocation of Rate Base  
12-Month Ending - KWH Sales

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	A Total Company	B Missouri		C Kansas		D Total Retail	E Missouri		F Kansas		G Oklahoma		H Arkansas	
		Wholesale	Retail	Wholesale	Retail		Wholesale	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail
July-06	515,537,734	32,990,440	481,065,694	1,481,600	426,211,269	26,227,957	14,383,801	14,242,667						
August-06	535,933,754	34,380,960	500,039,194	1,513,600	440,445,821	28,712,815	14,543,670	16,336,888						
September-06	451,737,426	25,681,160	425,173,066	883,200	371,962,635	24,249,379	12,867,346	16,093,706						
October-06	371,617,286	25,396,260	345,293,026	928,000	304,976,149	18,283,513	10,327,324	11,706,040						
November-06	380,558,899	24,404,820	355,200,479	953,600	316,519,976	17,420,030	9,631,610	11,628,863						
December-06	448,430,998	26,437,040	420,761,958	1,232,000	375,186,065	21,018,186	12,759,757	11,797,950						
January-07	461,311,005	26,226,520	433,740,485	1,344,000	384,573,637	24,996,824	12,071,615	12,098,409						
February-07	437,015,798	25,327,640	410,363,358	1,324,800	361,769,881	23,813,096	13,917,309	10,863,072						
March-07	368,289,331	25,007,220	342,322,111	960,000	304,643,641	16,231,851	9,563,009	11,883,610						
April-07	365,700,528	24,241,560	340,473,368	985,600	301,040,688	18,185,819	9,927,384	11,319,477						
May-07	381,507,430	26,544,100	354,044,930	918,400	313,143,925	17,817,465	10,446,090	12,637,450						
June-07	429,451,766	28,732,860	399,637,306	1,081,600	353,797,998	19,891,506	12,413,101	13,534,701						
12 Month Total	5,147,091,955	325,370,580	4,808,114,975	13,606,400	4,254,271,685	256,848,441	142,852,016	154,142,833						
Net 12 Month Total	5,147,091,955	325,370,580	4,808,114,975	13,606,400	4,254,271,685	256,848,441	142,852,016	154,142,833						

The Empire District Electric Company  
Allocation of Rate Base  
12-Month Ending - City Franchise Taxes

	A	B	C	D	E	F	G	H
	Total	Missouri	Kansas	Total	Missouri	Kansas	Oklahoma	Arkansas
	Company	Wholesale	Wholesale	Retail	Retail	Retail	Retail	Retail
July-06	739,982	0	0	739,982	671,915	39,228	13,238	15,600
August-06	820,945	0	0	820,945	741,205	45,904	15,616	18,220
September-06	723,089	0	0	723,089	652,699	38,433	13,804	18,152
October-06	469,209	0	0	469,209	426,086	21,991	9,703	11,430
November-06	442,549	0	0	442,549	401,900	23,687	7,201	9,762
December-06	527,145	0	0	527,145	476,011	30,169	9,061	11,905
January-07	566,207	0	0	566,207	510,810	34,960	9,371	11,066
February-07	649,287	0	0	649,287	587,417	38,453	11,134	12,284
March-07	540,714	0	0	540,714	491,827	27,239	9,725	11,923
April-07	475,940	0	0	475,940	434,036	24,515	8,709	8,681
May-07	481,579	0	0	481,579	440,591	23,775	8,079	9,134
June-07	575,864	0	0	575,864	528,596	27,903	9,460	9,905
12 Month Total	7,012,510	0	0	7,012,510	6,363,093	376,256	125,100	148,061

The Empire District Electric Company  
Allocation of Rate Base  
12-Month Ending - Corporation Franchise Taxes

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	A Total Company	B Missouri Wholesale	C Kansas Wholesale	D Total Retail	E Missouri Retail	F Kansas Retail	G Oklahoma Retail	H Arkansas Retail
July-06	26,868	0	0	26,868	24,000	1,671	1,117	81
August-06	26,868	0	0	26,868	24,000	1,671	1,117	81
September-06	26,868	0	0	26,868	24,000	1,671	1,117	81
October-06	26,868	0	0	26,868	24,000	1,671	1,117	81
November-06	26,868	0	0	26,868	24,000	1,671	1,117	81
December-06	27,963	0	0	27,963	24,000	1,671	2,216	76
January-07	28,628	0	0	28,628	25,631	1,667	1,250	80
February-07	28,628	0	0	28,628	25,631	1,667	1,250	80
March-07	28,628	0	0	28,628	25,631	1,667	1,250	80
April-07	28,533	0	0	28,533	25,631	1,667	1,155	80
May-07	28,734	0	0	28,734	25,631	1,674	1,155	274
June-07	28,734	0	0	28,734	25,631	1,674	1,155	274
12 Month Total	334,192	0	0	334,192	297,788	20,042	15,013	1,350

The Empire District Electric Company  
Allocation of Rate Base  
12-Month Ending - Regulatory Commission Expense

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	A Total Company	B Missouri Wholesale		C Kansas Wholesale		D Total Retail	E Missouri Retail		F Kansas Retail		G Oklahoma Retail		H Arkansas Retail	
July-06	106,030	3,958	208			101,864	71,648		11,919		0		18,296	
August-06	67,765	-14,506	-763			83,034	71,648		9,815		0		1,571	
September-06	83,902	1,924	101			81,877	71,759		6,456		2,092		1,571	
October-06	86,871	2,375	125			84,371	71,648		11,152		0		1,571	
November-06	82,427	2,375	125			79,927	71,648		6,708		0		1,571	
December-06	84,302	2,375	125			81,802	71,648		6,456		2,127		1,571	
January-07	110,942	2,375	125			108,442	94,864		11,972		35		1,571	
February-07	108,999	2,375	125			106,499	94,472		10,455		0		1,571	
March-07	107,091	2,375	125			104,591	94,472		6,456		2,092		1,571	
April-07	112,573	2,375	125			110,073	96,512		11,976		0		1,585	
May-07	107,300	2,375	125			104,800	96,740		6,489		0		1,571	
June-07	109,386	2,375	125			106,886	96,500		6,456		2,359		1,571	
12 Month Total	1,167,587	12,751	671			1,154,165	1,003,560		106,308		8,705		35,591	

The Empire District Electric Company  
Allocation of Rate Base  
Other Direct Input Data

	A Company	B Missouri Wholesale	C Kansas Wholesale	D Total Retail	E Missouri Retail	F Kansas Retail	G Oklahoma Retail	H Arkansas Retail
Off-system fuel & purchased power - 12-ME	9,807,242	612,220	26,400	9,168,622	8,110,896	497,436	268,269	292,021
Off-system fuel & purchased power - current month	1,268,190	73,831	3,741	1,190,618	1,052,162	69,866	31,988	36,602
On-system wholesale plant	2,400,868	2,293,700	107,167					
On-system wholesale plant - non-depreciable	13,263	11,916	1,347					
Customer deposits	7,211,058			7,211,058	6,478,038	313,009	209,624	210,387
Average off-system wholesale customers	20							
Off-system wholesale kwh's	359,157,000							
State income tax - 12-ME	2,685,026	80,256	3,899	2,600,871	2,234,015	189,827	81,996	95,033
State income tax - 12-ME - off-system *	177,216	14,984	902	161,329	141,649	11,113	3,728	4,839
Federal income tax - 12-ME	18,736,379	560,035	27,208	18,149,136	15,589,177	1,324,631	572,176	663,152
Federal income tax - 12-ME - off-system *	1,236,628	104,559	6,296	1,125,772	988,444	77,551	26,014	33,764
Deferred tax - federal *	11,107,686	289,106	13,273	10,805,307	9,267,581	791,564	346,668	399,494
Deferred in prior years - cr. *	-11,156,322	-290,372	-13,331	-10,852,619	-9,308,160	-795,030	-348,186	-401,243
Investment tax credit - amortization *	-520,598	-13,550	-622	-506,426	-434,355	-37,099	-16,248	-18,724

THE EMPIRE DISTRICT ELECTRIC COMPANY  
 CALCULATION OF ENERGY COST RECOVERY BASE  
 CASE NO. ER-2007-XXXX

SCHEDULE WSK-2

Line No.		<u>Total</u>	<u>Missouri-Retail</u>
	<u>Energy Cost:</u>		
1	Total Fuel & Purchased Power	\$ 172,032,185	\$ 142,191,310
2	Less: Purchased Power Demand	16,193,520	13,384,576
3	Cost of Energy	<u>\$ 155,838,665</u>	<u>\$ 128,806,734</u>
4	Sales-Mwh	5,067,316	4,188,334
5	Base Cost of Energy	\$ 30.7537	\$ 30.7537
	Losses:		
6	NSI-Mwh	5,425,392	4,484,298
7	Sales	5,067,316	4,188,334
8	Losses	<u>358,076</u>	<u>295,964</u>
9	Percentage of NSI	6.60%	6.60%
10	Percentage of Sales	7.07%	7.07%

## THE EMPIRE DISTRICT ELECTRIC COMPANY

## SCHEDULE WSK-3

P.S.C. Mo. No. 5 Sec. 4 6<sup>th</sup> Revised Sheet No. 17Canceling P.S.C. Mo. No. 5 Sec. 4 5<sup>th</sup> Revised Sheet No. 17For ALL TERRITORYFUEL ADJUSTMENT CLAUSE  
SCHEDULE FACDEFINITIONSACCUMULATION PERIOD:

The two six-month accumulation periods, the two six-month recovery periods and filing dates will be as follows:

<u>ACCUMULATION PERIOD</u>	<u>RECOVERY PERIOD</u>	<u>ACCUMULATION PERIOD</u>	<u>RECOVERY PERIOD</u>
SEPTEMBER	JUNE	MARCH	DECEMBER
OCTOBER	JULY	APRIL	JANUARY
NOVEMBER	AUGUST	MAY	FEBRUARY
DECEMBER	SEPTEMBER	JUNE	MARCH
JANUARY	OCTOBER	JULY	APRIL
FEBRUARY	NOVEMBER	AUGUST	MAY
	April 1 <sup>st</sup>		October 1 <sup>st</sup>

Filing date:

The Accumulation period is the six calendar months during which the actual costs subject to this rider will be accumulated for purposes of determining the Cost Adjustment Factor.

RECOVERY PERIOD:

The billing months during which Cost Adjustment Factor (CAF) is applied to retail customer billings on a per kilowatt-hour (kWh) basis.

COSTS:

Costs eligible for Fuel Cost Adjustment (FAC) will be the Company's total book costs for fuel consumed in Company generating units, including the costs associated with the Company's fuel hedging program, purchased power charges, including applicable transmission fees and emission allowance costs during the Accumulation period. Eligible costs do not include the purchased power demand costs or the cost and revenue associated with off-system sales.

APPLICATION

The price per kWh of electricity sold will be adjusted subject to application of the FAC mechanism and approval by the Public Service Commission. The price will reflect 95 percent of the Accumulation period costs either above or below base costs specified on Sheet No.     for:

1. fuel consumed in Company electric generating plants, plus
2. purchased energy (excluding demand), plus
3. emission allowance costs, plus or minus
4. an adjustment for the prior recovery period sales variation. This is based on the difference between the value of  $\{[(F + P + E - (\text{base cost per kWh} \times \text{accumulation period jurisdictional sales})) \times .95] \text{ minus } [(CAF \times \text{Actual Recovery Period jurisdictional kWh sales}) \pm C]$  during the recovery period. This amount will be collected during the next recovery period.
5. Interest-Deferred electric energy cost shall be determined monthly. The resulting amount, whether negative or positive will be accumulated during the accumulation period. In addition, interest at a rate equal to the Company's short-term interest rate will be applied to the deferred electric energy costs on an average monthly basis and will be accumulated during the accumulation period. The accumulated interest shall be included in the determination of the CAF.

DATE OF ISSUE October 1, 2007  
ISSUED BY Kelly S. Walters, Vice President, Joplin, MO

DATE EFFECTIVE October 31, 2007

P.S.C. Mo. No. 5 Sec. 4 Original Sheet No. 17aCanceling P.S.C. Mo. No. 5 Sec.        Revised Sheet No.       For ALL TERRITORY

FUEL ADJUSTMENT CLAUSE SCHEDULE FAC
--

The FAC will be the sum of (1), (2), (3) and (4). The Cost Adjustment Factor is the result of dividing the FAC by accumulation period billed jurisdictional kWh sales, rounded to the nearest \$.00000. The formula and components are displayed below.

$$FAC = \{([(F + P + E - B)] \times .95) \pm C^1\} \pm I$$

The Cost Adjustment Factor (CAF<sup>1</sup>) is as follows:

$$CAF = \frac{FAC}{S}$$

Where:

- F = Actual jurisdictional cost of fuel-FERC Accounts 501 & 547
- P = Actual jurisdictional cost of purchased energy-FERC Account 555
- E = Actual jurisdictional Emission allowance cost-FERC Account 509
- B = Base cost of fuel and purchased power energy = S x \$0.03075
- C = Under/Over recovery from prior Recovery period as included in the deferred energy cost balancing account
- S = Missouri jurisdictional sales (kWh) for the Accumulation period
- I = Interest

C<sup>1</sup>-The correction factor may also be adjusted to reflect any modifications made due to the periodic prudence reviews. The CAF shall also be adjusted to reflect the differences in line losses that occur at primary and above voltages and secondary voltages by the use of expansion factors based upon the ratio of sales and required system inputs utilizing the results of the latest Company line loss study.

#### APPLICABLE BASE COST

Company generated energy and purchased energy per kWh established in the most recent base rate case and approved by the Commission.

#### MISSOURI JURISDICTIONAL COST

Fuel, purchased power and emission costs (501, 547, 555 & 509) shall be allocated to the Missouri retail jurisdiction based upon the following ratio each month of the accumulation period:

$$\text{Missouri Energy Ratio} = \frac{\text{Missouri Retail kWh sales}}{\text{Total System kWh sales}_1}$$

Total System kWh Sales<sub>1</sub> exclude off-system sales

#### PRUDENCE REVIEW

There shall be a periodic review of fuel and energy costs subject to the FAC, and a comparison of the FAC revenue collected. In addition, the review shall determine if the costs subject to the FAC were prudently incurred by the Company. FAC cost and the FAC charges are subject to adjustment if found to be imprudent by the Commission. The normal true-up of over/under recovery of FAC cost occurs at the end of each Recovery period. Prudence reviews shall occur no less frequently than at eighteen (18) month intervals.

## THE EMPIRE DISTRICT ELECTRIC COMPANY

## SCHEDULE WSK-3

P.S.C. Mo. No. 5 Sec. 4 Original Sheet No. 17bCanceling P.S.C. Mo. No. 5 Sec.        Revised Sheet No.       For ALL TERRITORYFUEL ADJUSTMENT CLAUSE  
SCHEDULE FACACCUMULATION PERIOD ENDING, 00-00-0000

1. Total energy cost	\$xxx,xxx,xxx
2. Base energy cost	\$xxx,xxx,xxx
3. Fuel Cost Recovery	\$xxx,xxx,xxx
4. Adjustment for Over/Under recovery for the Recovery period ending 00-00-0000	\$xxx,xxx,xxx
5. Fuel Cost Recovery as Adjusted	\$xxx,xxx,xxx
6. Actual Accumulation period jurisdictional sales-kWh	x,xxx,xxx,xxx
7. Average Cost adjustment factor to be applied to bills beginning 00-00-0000	\$0.xxxxx
8. Cost adjustment factor-Primary and above (Line 7 x Expansion Factor <sub>1</sub> )	\$0.xxxxx
9. Cost adjustment factor-Secondary (Line 7 x Expansion Factor <sub>2</sub> )	\$0.xxxxx

Expansion Factor<sub>1</sub>=1.0463/1.0728=.98  
Expansion Factor<sub>2</sub>=1.0821/1.0728=1.01DATE OF ISSUE October 1, 2007  
ISSUED BY Kelly S. Walters, Vice President, Joplin, MODATE EFFECTIVE October 31, 2007

THE EMPIRE DISTRICT ELECTRIC COMPANY  
SAMPLE MISSOURI BILL

SCHEDULE WSK-4

Account Detail

Electric	acct #	For Service at	address	Rate:	RG-Residential
Read for	meter #	From	beginning date to ending date ( # of days)	Curr Read #	Prev Read #, Totaling # kWh
Billing date	Late Payment Fee	amount x percentage			xxxx
Billing date	Customer Charge	1 x cust charge rate			xxxx
Billing date	Usage Charge	First block (up to 600) kWh * .xxxx (rate)			xxxx
Billing date	Usage charge	Excess over 600 kWh * .xxxx (rate)			xxxx
Billing date	Fuel Adjustment Cost	Total kWh * .xxxx (monthly FAC factor)			xxxx
Billing date	Franchise Fee (if appl.)	***Total Charge * fran rate			xxxx
Billing date	City Tax (if appl.)	***Total Charge * tax rate			xxxx
Billing date	Other Charges (if appl.)	**Total Charge * Applicable rate			xxxx
Current Months Charges:					\$ xxxxx
Billed Charges:					\$ xxxxx

\*\*Total Charge = Customer Charge + Usage Charges + Fuel Adjustment Cost

## NOTICE

On October 1, 2007 The Empire District Electric Company filed revised electric service tariff sheets with the Missouri Public Service Commission ("MPSC"), which would increase the Company's Missouri jurisdictional annual gross revenues by approximately 10.1 percent. For a residential customer using 1000 kilowatt hours of electricity a month, the proposed increase would be approximately \$9.75 each month.

Also, the Company has asked the MPSC to authorize the implementation of a fuel adjustment clause ("FAC") allowing the Company to recover changes in fuel and energy costs. The test year fuel costs will be included in the base rates. Ninety-five percent (95%) of any increase or decrease in fuel and energy costs from the test year level will be passed on to customers through a monthly bill adjustment. This adjustment will be identified on the bills as a line item titled "Fuel Adjustment Cost". A customer's total kWh for the month will be multiplied by the FAC factor and added to the total bill.

Local public hearings have been set before the PSC as follows:

- 1) XXX
- 2) XXX

Evidentiary hearings have been set before the PSC as follows: XXX through XXX. The evidentiary hearings will be held in XXX, Jefferson City, Missouri

If you wish to comment or secure information, you may contact the Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, telephone (573) 751-4857.

The buildings where the hearings will be held meet accessibility standards required by the Americans with Disabilities Act. If a customer needs additional accommodations to participate in these hearings, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

**THE EMPIRE DISTRICT ELECTRIC COMPANY**  
**LOCATION OF INFORMATION REQUIRED BY 4 CSR 240.3.161 (2)**  
**CASE NO.**

<b>Rule Reference</b>	<b>Description</b>	<b>Location</b>
4 CSR 240.3.161 (2) (A)	Customer Notice	Schedule WSK-5
4 CSR 240.3.161 (2) (B)	Example Customer Bill	Schedule WSK-4
4 CSR 240.3.161 (2) (C)	Proposed FAC Tariff	Schedule WSK-3
4 CSR 240.3.161 (2) (D)	Explanation of FAC	Keith Pg 21 & 26
4 CSR 240.3.161 (2) (E)	ECR and Opportunity to earn Fair ROE	Keith Pg 21, Overcast Pg, 3-33 Gipson Pg
4 CSR 240.3.161 (2) (F)	(Over)/Under recoveries & true-up	Keith Pg 22
4 CSR 240.3.161 (2) (G)	ECR & Prudence Review	Keith Pg 25
4 CSR 240.3.161 (2) (H)	Specific Costs & FERC Accounts	Keith Pg 21
4 CSR 240.3.161 (2) (I)	Specific Revenue & FERC Accounts	Keith Pg 22
4 CSR 240.3.161 (2) (J)	Incentive Features and Benefits	Keith Pg 28
4 CSR 240.3.161 (2) (K)	Volatility Mitigation	Keith Pg 29
4 CSR 240.3.161 (2) (L)	Company Procedures/Prudent Costs	Keith Pg 30
4 CSR 240.3.161 (2) (M)	Customer Class Rate Design	Keith Pg 33
4 CSR 240.3.161 (2) (N)	FAC, Business Risk & Allowed ROE	Overcast Pg 3-33
4 CSR 240.3.161 (2) (O)	Supply-side, Demand-side Resources & Dispatch	Tarter Pg 3
4 CSR 240.3.161 (2) (P)	Unit Heat & Unit Efficiency Testing Procedures	Mertens Pg 13
4 CSR 240.3.161 (2) (Q)	Existing IRP and Objectives	Tarter Pg 3, Keith 32
4 CSR 240.3.161 (2) (R)	Emission Allowance Cost/(Revenue) & FAC	Mertens Pg 15
4 CSR 240.3.161 (2) (S)	Authorization to Release 5-years of Surveillance	Keith Pg 24