

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT
COST OF SERVICE
APPENDICES

EMPIRE DISTRICT ELECTRIC COMPANY

The-Investor (Electric)

CASE NO. ER-2010-0130

Jefferson City, Missouri
February, 2010

MISSOURI PUBLIC SERVICE COMMISSION

**STAFF REPORT
COST OF SERVICE**

**APPENDIX 1
Staff Credentials**

EMPIRE DISTRICT ELECTRIC COMPANY

The-Investor (Electric)

CASE NO. ER-2010-0130

APPENDIX 1

STAFF CREDENTIALS TABLE OF CONTENTS

Atkinson, Shana.	1
Barnes, Matthew J.	2
Bax Alan J.	5
Cecil, Walt	7
Foster, Keith D.	9
Fred, Carol Gay.	11
Harrison, Paul R.	12
Lakhanpal, Manisha.....	21
Lange, Shawn E.	23
Maloney, Erin L.	24
Oligschlaeger, Mark L.....	25
Rogers, John A.	28
Wells, Curt.....	30
Westhues, Casey.....	33
Williams, David.....	34

SHANA ATKINSON

Educational and Employment Background and Credentials

I am currently employed as a Utility Regulatory Auditor I for the Missouri Public Service Commission (Commission). I accepted the position of Utility Regulatory Auditor I in December 2008.

In May 2007, I earned a Bachelor of Science in Accountancy and a Master of Accountancy degree from the University of Missouri-Columbia. My accounting degree required an understanding of financial concepts, including the cost of capital.

I sponsored the Rate of Return section of the Cost of Service Report in the Empire District Gas rate case, Case No. GR-2009-0434 and the Lake Region Water & Sewer Company rate cases, Case Nos. WR-2010-0111 and SR-2010-0110. I assisted with the preparation of schedules in the Missouri Gas Energy rate case, Case No. GR-2009-0355. I sponsored recommendations in two finance cases, Case Nos. GF-2009-0331 and EF-2009-0266. I have developed rate of return recommendations for numerous small water and sewer rate cases and have assisted as needed in small water and sewer certificate cases.

MATTHEW J. BARNES

EDUCATIONAL AND EMPLOYMENT BACKGROUND AND CREDENTIALS

I am currently employed as a Utility Regulatory Auditor III for the Missouri Public Service Commission (Commission). I accepted the position of Utility Regulatory Auditor I in June 2003 and have since been promoted.

Previously, I was employed by the Missouri Department of Natural Resources (MDNR). Prior to MDNR I was employed by the Missouri Department of Conservation as an Auditor Aide.

I have earned a Bachelor of Science degree in Business Administration with an emphasis in Accounting from Columbia College in December 2002. I earned a Masters in Business Administration with an emphasis in Accounting from William Woods University in May 2005.

SUMMARY OF CASE PARTICIPATION

Date Filed	Issue	Case Number	Exhibit	Case Name
10/06/2006	Rate of Return/ Cost of Capital	ER20060314	Surrebuttal	Kansas City Power & Light Company
09/08/2006	Rate of Return	ER20060314	Rebuttal	Kansas City Power & Light Company
09/13/2006	Rate of Return	GR20060387	Direct	Atmos Energy Corporation
10/15/2004	Rate of Return	TC20021076	Supplemental Direct	BPS Telephone Company
11/07/2006	Rate of Return	ER20060314	True-Up	Kansas City Power & Light Company

Date Filed	Issue	Case Number	Exhibit	Case Name
11/07/2006	Cost of Capital	ER20060314	True-Up	Kansas City Power & Light Company
08/08/2006	Rate of Return	ER20060314	Direct	Kansas City Power & Light Company
11/13/2006	Rate of Return	GR20060387	Surrebuttal	Atmos Energy Corporation
03/08/2006	Transaction Structure	TM20060272	Rebuttal	Alltel Missouri, Inc.
01/12/2007	Rate of Return	WR20060425	Surrebuttal	Algonquin Water Resources of Missouri LLC
12/28/2006	Rate of Return	WR20060425	Rebuttal	Algonquin Water Resources of Missouri LLC
12/01/2006	Rate of Return	WR20060425	Direct	Algonquin Water Resources of Missouri LLC
11/15/2005	Transaction Structure	IO20060086	Rebuttal	Sprint Nextel Corporation
11/13/2006	Rate of Return	GR20060387	Rebuttal	Atmos Energy Corporation
05/04/2007	Rate of Return	GR20070208	Direct	Laclede Gas Company
07/24/2007	Rate of Return	ER20070291	Direct	Kansas City Power and Light Company
08/30/2007	Rate of Return	ER20070291	Rebuttal	Kansas City Power and Light Company

Date Filed	Issue	Case Number	Exhibit	Case Name
09/20/07	Rate of Return	ER20070291	Surrebuttal	Kansas City Power and Light Company
02/22/08	Rate of Return	ER20080093	Staff Report Cost of Service	Empire District Electric Company
04/04/08	Rate of Return	ER20080093	Rebuttal	Empire District Electric Company
04/25/08	Rate of Return	ER20080093	Surrebuttal	Empire District Electric Company
08/18/08	Rate of Return	WR20080311	Staff Report Cost of Service	Missouri-American Water Company
09/30/08	Rate of Return	WR20080311	Rebuttal	Missouri-American Water Company
10/16/08	Rate of Return	WR20080311	Surrebuttal	Missouri-American Water Company
12/01/08	Fuel Adjustment Clause Prudence Review	EO20090115	Staff Memorandum	Kansas City Power and Light Company Greater Missouri Operations Company
06/25/09	Fuel Adjustment Clause 1 st True- up	EO20090431	Staff Memorandum	Kansas City Power and Light Company Greater Missouri Operations Company
01/22/10	Fuel Adjustment Clause 2 nd True-up	EO20100191	Staff Memorandum	Kansas City Power and Light Company Greater Missouri Operations Company

ALAN J. BAX

I graduated from the University of Missouri - Columbia with a Bachelor of Science degree in Electrical Engineering in December 1995. Concurrent with my studies, I was employed as an Engineering Assistant in the Energy Management Department of the University of Missouri – Columbia from the Fall of 1992 through the Fall of 1995. Prior to this, I completed a tour of duty in the United States Navy, completing a course of study at the Navy Nuclear Power School and a Navy Nuclear Propulsion Plant. Following my graduation from the University of Missouri - Columbia, I was employed by The Empire District Electric Company (Empire or Company) as a Staff Engineer until August 1999, at which time I began my employment with the Staff of the Missouri Public Service Commission (Staff). I am a member of the Institute of Electrical/Electronic Engineers (IEEE).

ALAN J. BAX

TESTIMONY AND REPORTS BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

<u>COMPANY</u>	<u>CASE NUMBER</u>
Aquila Networks – MPS	ER-2004-0034
Union Electric Company d/b/a AmerenUE	EO-2004-0108
Empire District Electric Company	ER-2002-0424
Kansas City Power and Light	EA-2003-0135
Union Electric Company d/b/a AmerenUE	EO-2003-0271
Aquila Networks – MPS	EO-2004-0603
Union Electric Company d/b/a AmerenUE	EC-2002-0117
Three Rivers and Gascosage Electric Coops	EO-2005-0122
Union Electric Company d/b/a AmerenUE	EC-2002-1
Empire District Electric Company	ER-2001-299
Aquila Networks – MPS	EA-2003-0370
Union Electric Company d/b/a AmerenUE	EW-2004-0583
Union Electric Company d/b/a AmerenUE	EO-2005-0369
Trigen Kansas City	HA-2006-0294
Union Electric Company d/b/a AmerenUE	EC-2005-0352
Missouri Public Service	ER-2001-672
Aquila Networks – MPS	EO-2003-0543
Kansas City Power and Light	ER-2006-0314
Macon Electric Coop	EO-2005-0076
Aquila Networks – MPS	EO-2006-0244
Union Electric Company d/b/a AmerenUE	EO-2003-0271
Union Electric Company d/b/a AmerenUE	EC-2004-0556
Union Electric Company d/b/a AmerenUE	EC-2004-0598
Empire District Electric Company	ER-2004-0570
Union Electric Company d/b/a AmerenUE	EC-2005-0110
Union Electric Company d/b/a AmerenUE	EC-2005-0177
Union Electric Company d/b/a AmerenUE	EC-2005-0313
Empire District Electric Company	EO-2005-0275
Aquila Networks – MPS	EO-2005-0270
Union Electric Company d/b/a AmerenUE	EO-2006-0145
Empire District Electric Company	ER-2006-0315
Aquila Networks – MPS	ER-2005-0436
Union Electric Company d/b/a AmerenUE	EO-2006-0096
Union Electric Company d/b/a AmerenUE	EO-2008-0031
Empire District Electric Company	ER-2008-0093
Missouri Rural Electric Cooperative	EO-2008-0332
Grundy Electric Cooperative	EO-2008-0414
Osage Valley Electric Cooperative	EO-2009-0315
Union Electric Company d/b/a AmerenUE	EO-2008-0310
Aquila Networks – MPS	EA-2008-0279
West Central Electric Cooperative	EO-2008-0339
Empire District Electric Company	EO-2009-0233
Union Electric Company d/b/a/ AmerenUE	EO-2009-0272
Empire District Electric Company	EO-2009-0181
Union Electric Company d/b/a AmerenUE	ER-2008-0318
Kansas City Power and Light	ER-2009-0089
Kansas City Power and Light – GMO	ER-2009-0090
Union Electric Company d/b/a AmerenUE	ER-2010-0036

WALT CECIL

PRESENT POSITION:

I am a Regulatory Economist III in the Economic Analysis Section of the Energy Department, Utility Operations Division.

EDUCATIONAL BACKGROUND AND WORK EXPERIENCE:

I hold a B.A. in Business Administration from Baylor University and a M.A. in Economics from the University of Kansas. I joined the Commission's Telecommunications Department Staff in 1999 and was assigned to the Energy Department in June 2008.

Cases in which Testimony was Filed and/or Cross Examination was Stood

<u>Case No.</u>	<u>Issues</u>
ER-2010-0036	Weather Normalization of Sales (In progress)
ER-2009-0090	Weather Normalization of Sales and Rate Design
ER-2009-0089	Weather Normalization of Sales
TX-2008-0090	In the Matter of a Proposed Rulemaking to Amend 4 CSR 240-33.0160, Customer Proprietary Network Information
CO-2006-0464	Eligible Telecommunications Carrier Designation
IO-2006-0551	In the Matter of Embarq Missouri, Inc., for Competitive Classification under Section 392.245.5, RSMo 2005
TO-2005-0308	Recommendation Concerning the Surcharge for Deaf Relay Service and Equipment Distribution Program Fund
TO-2005-0035	Directory Assistance
TO-2004-0207	Geographic Market Definition
TO-2002-227	Term Discounts

<u>Case No.</u>	<u>Issues</u>
TO-2002-222	Arbitration Issues 9, 13, 15, 16, 17, 19, 20, 21, 23, 24, 26, 29, 30, 33, 48, 49, 50
TT-2002-108 and TT-2002-130	Tariff Winback Provisions; Multi-Year Contracts—Consolidated Cases
TO-2001-455	Physical Network Interconnection Issues; Inter-Carrier Compensation; Operations Support Services
TO-2001-347	Geographic Deaveraging
TO-2000-374	NPA Relief Plan for the 314 and 816 Area Codes

Keith D. Foster

Educational and Employment Background and Credentials

I am currently employed as a Utility Regulatory Auditor III for the Missouri Public Service Commission (Commission). I was employed by the Commission in January 2008. After a 27-year career in the Information Systems (IS) industry, I returned to college and earned a Bachelor of Science degree in Business Administration, major in Accounting from Columbia College. I graduated summa cum laude in October 2007.

Most recently, I was employed by IBM as a Project Manager from March 1991 to December 1998 and as a Project Executive from January 1999 until April 2002. In my capacity as Project Executive, I managed the development and implementation of welfare reform and other system enhancements, ongoing operations and maintenance activities, warranty support, application help desk, and system turnover for the Missouri Automated Child Support System (MACSS), a statewide integrated financial and case management system. I managed all budget, revenue, and profit objectives; developed and maintained detailed spreadsheets to prepare project budgets and revenue projections, to track and manage project costs and revenue daily, and to reconcile with corporate accounting.

I am a member of the Institute of Internal Auditors (IIA) as well as the Project Management Institute (PMI) including the local chapters. I am currently a board member of the Mid-Missouri PMI chapter, serving as Vice-President of Financial Affairs. In addition, I am a PMI-certified Project Management Professional (PMP), a credential I have held since January 2000.

As a Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings as ordered by the Commission. In addition, I review all exhibits and testimony on assigned

issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Other cases I have been assigned are listed below:

Case/Tracking Number	Company Name - Issue
QW-2008-0010	Tri-States Utility, Inc. - Property Taxes; Fuel & Electricity Expense; Telephone Expense; Rent Expense; Plant in Service; Depreciation Schedule, Reserve, Rates, and Expense; Transportation Expense; Chemicals Expense; Waste Disposal; Insurance Expense; Contractual Services; Bad Debt Expense; Miscellaneous Expenses
WR-2008-0311	Missouri-American Water Company - Advertising & Promotional Items; Dues and Donations; Cash Working Capital; Plant in Service; Depreciation Expense; Depreciation Reserve; Franchise Tax; Property Taxes; Fuel & Electricity Expense; Telephone Expense; Postage Expense; Purchased Water; Prepayments; Materials & Supplies; Customer Advances; Contributions in Aid of Construction (CIAC)
WR-2009-0098	Raytown Water Company - Materials & Supplies; Prepayments; Customer Deposits; Revenues; Insurance Expense; Utilities Expense; Directors Fees; Office Supplies Expense; Postage Expense; Laboratory Fees; Transportation Expenses; Rate Case Expense; Regulatory Commission Expense
GO-2009-0302	Missouri Gas Energy - Infrastructure Service Replacement Surcharge (ISRS)
SA-2009-0319	Mid-MO Sanitation, LLC – Certificate Case; All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
GR-2009-0355	Missouri Gas Energy – Payroll, Payroll Taxes, 401(k), and Other Employee Benefit Costs; Incentive Compensation and Bonuses; Medical and Dental Expense; Bad Debt Expense; Rate Case Expense; Pension Expense; FAS106/OPEBs; Prepaid Pension Asset (PPA); Franchise Tax Expense; Income Tax Expense
SR-2010-0095	Mid-MO Sanitation, LLC (in progress) – Full Audit of All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items

Carol Gay Fred

Educational and Employment Background and Credentials

I am currently employed as the Consumer Services Manager for the Missouri Public Service Commission (Commission). I was employed by the Commission in January 1987. Prior to my employment with the Commission, I was employed by United Telephone Company, now known as CenturyLink, from 1977 to 1987, with primary functions that consisted of call center supervision, credit and collections, outside plant compliance audits, cable assignment specialist and central office switch conversion assistant.

In May 2002, I graduated from Almeda University, Wauconda, IL, with a Bachelor of Science degree in Business Administration. In December 1999, I received my Certification in Project Management from Boston University, in Boston, MA.

During my employment with the Commission I have filed testimony before the Commission on several occasions in my previous capacity as a Rate and Tariff Examiner II in the Telecommunications Department under the Operations Division of the Commission and in my current capacity as Manager of Consumer Services. I have acquired general knowledge on various topics through my experience and analyses in prior rate, complaint, merger, rulemaking and working group cases before this Commission.

I am an active member of the NARUC Subcommittee on Consumer Affairs. I am also an active member of the Missouri to End Poverty and the Committee to Keep Missourians Warm. I have also participated in and supervised the work on a number of informal and formal complaint proceedings.

Empire District Electric Company

ER-2010-0130

Education, Background and Case Participation

Paul R. Harrison

I am a Utility Regulatory Auditor IV with the Missouri Public Service Commission (PSC or Commission). I have performed duties as a Utility Regulatory Auditor within the Auditing Department at the Commission since January 18, 2000. I have also been responsible for the supervision of other Audit Department employees in rate cases and other regulatory proceedings before the Commission.

I graduated from Park College, Kansas City, Missouri, where I earned Bachelor of Science degrees in both Accounting and Management with Magna Cum Laude honors in July 1995. I also earned an Associate degree in Missile Maintenance Technology from the Community College of the Air Force in June 1990.

Prior to coming to work at the Commission, I was the manager for Tool Warehouse Inc. for four and one-half years. As the manager, I managed; supervised, coordinated and scheduled daily activities of personal assigned to the Tool Warehouse. In addition, I created and maintained corporate monthly budgets; performed monthly inventory and generated inventory loss reports to corporate headquarters. I was also responsible for the daily sales volume and ordered all merchandise, (\$2.5million), for the tool warehouse in accordance with Tool Warehouse policy and procedures.

Prior to being the manager of the Tool Warehouse Inc, I was in the United States Air Force (USAF) for twenty-three years. During my career in the USAF, I was assigned many different duty positions with various levels of responsibility. I retired from active duty on May

1, 1994 as Superintendent of the 321st Strategic Missile Wing Missile Mechanical Flight. In that capacity, I supervised 95 missile maintenance technicians and managed assets valued in excess of \$50 million.

My duties at the Commission include performing audits of the books and records of regulated public utilities under the jurisdiction of the MoPSC, in conjunction with other Commission Staff (Staff) members. In this capacity, I am required to prepare testimony and serve as a Staff expert witness on rate cases concerning the ratemaking philosophy and methodology of issues that I am assigned.

I have acquired general knowledge of these topics through my experience and analyses in prior rate cases before this Commission. I have also acquired knowledge of these topics through review of Staff work papers for prior rate cases brought before this Commission. I have reviewed prior Commission decisions with regard to these areas. I have reviewed the Company's testimony, work papers and responses to Staff's data requests addressing these topics. In addition, my college coursework included accounting and auditing classes. Since commencing employment with the Commission in January 2000, I have attended various in house training seminars and National Association of Regulatory Utility Commission (NARUC) conferences. I have participated in approximately twenty-four formal rate case proceedings. I have also participated in and supervised the work on a number of informal rate proceedings. As a senior auditor and the Lead Auditor on a number of cases, I have participated in the supervision and instruction of new accountants and auditors within the Utility Services Division.

The Schedule below lists the rate cases in which I filed testimony, the issues that I have completed and the small informal cases that I have been assigned.

CASE PROCEEDING/PARTICIPATION

PAUL R. HARRISON

COMPANY	CASE NO.	TESTIMONY/ISSUES
SUMMARY OF FORMAL CASES		
The Empire District Electric Company	ER-2010-0130	In Progress Cost of Service Report- Allocations; Pensions & OPEBS; DSM Program; Amortization Rate Base & Expense; Revenues; Bad Debt; Banking Fees; Infrastructure & Tree Trimming Expense; Employee Benefits; Lease Expense; O&M Expenses New Plant; Carrying Cost New Plant; Current Income & Deferred Taxes.
The Empire District Gas Company	GR-2009-0434	October 2009 Cost of Service Report- Allocations/Rents; Right-of-Way Clearing; AAO-MGP Costs; Franchise Fees; Reconciliation; Current Income & Deferred Taxes. Lead Auditor
Kansas City Power & Light (KCPL)	ER-2009-0089	April 2009 Surrebuttal- Non-Talent Assessment Severance Costs True-Up - Pensions & OPEBS; Current Income & Deferred Taxes
KCPL-GMO MPS & L&P Electric	ER-2009-0090	April 2009 Surrebuttal- Cost of Removal-Income Taxes, Regulatory Asset Amortization. True-Up - Pensions & OPEBS; Income & Deferred Taxes Lead Auditor
Kansas City Power & Light (KCPL)	ER-2009-0089	March 2009 Cost of Service Report- Pensions & OPEBS; Non-Talent Assessment Severance Costs; Officer Expenses; Meals & Entertainment Expense; Employee Relocation Expense; Lobbying Expense; Lease Expenses; Non-Operating Cost Adjustment; Income & Deferred Taxes
KCPL-GMO MPS & L&P Electric	ER-2009-0090	March 2009 Cost of Service Report- Pensions & OPEBS; Miscellaneous Adjustments; SJLP Merger Transition Costs; Employee Relocation Expense; Lease Expenses; Income & Deferred Taxes Lead Auditor

COMPANY	CASE NO.	TESTIMONY/ISSUES
KCPL-GMO L&P Steam	HR-2009-0092	<p>March 2009 Cost of Service Report- Pensions & OPEBS; Miscellaneous Adjustments; Income & Deferred Taxes</p> <p>Lead Auditor</p>
Missouri American Water Company	WR-2008-0311	<p>October 2008 Surrebuttal- Belleville Lab Allocations; Compensation for Services MAWC Provided to AWR</p> <p>Litigated- Corporate Allocations</p> <p>True-Up - Corporate Allocations; Income & Deferred Taxes</p> <p>Lead Auditor</p>
Missouri American Water Company	WR-2008-0311	<p>August 2008 Cost of Service Report- Case Reconciliation; Corporate Allocations & Expenses; Belleville Lab Allocations; Compensation for Services MAWC Provided to AWR; Income & Deferred Taxes</p> <p>Lead Auditor</p>
Laclede Gas Company		<p>In Progress Investigation of Affiliated Transactions, Corporate Allocations & Appropriate Time Charges Between Laclede's Regulated & Unregulated Subsidiaries</p>
Missouri Gas Energy	GU-2007-0480	<p>July 2008 Rebuttal- AAO Manufactured Gas Plant</p> <p>Litigated- Manufactured Gas Plant</p>
Missouri Gas Energy	GU-2007-0480	<p>September 2007 Memorandum – AAO Manufactured Gas Plant</p> <p>Lead Auditor</p>
Missouri Gas Utility	GR-2008-0060	<p>February 2008 Cost of Service Report- Revenue Requirement Run (EMS) Merger & Acquisition Costs (Start-Up Costs); Corporate Allocations; Income & Deferred Taxes</p> <p>Lead Auditor</p>
Missouri Gas Energy	GR-2006-0422	<p>November 2006 Rebuttal- Environmental Response Fund, Manufactured Gas Plant Litigated- Manufactured Gas Plant</p>

COMPANY	CASE NO.	TESTIMONY/ISSUES
Missouri Gas Energy	GR-2006-0422	<p style="text-align: center;">October 2006</p> <p>Direct– Revenues; Purchased Gas Adjustments; Bad Debt Expense; ECWR AAO Bad Debt: Rent; Pensions & OPEBS; Income Taxes; Franchise Taxes; Manufactured Gas Plant, and Case Reconciliation</p> <p>Litigated- Emergency Cold Weather Rule</p> <p>True-Up - Revenues; Bad Debt Expense; Pensions & OPEBS; Income Taxes</p>
Empire Electric Company	ER-2006-0315	<p style="text-align: center;">July 2006</p> <p>Rebuttal- Storm Damage Tracker</p>
Empire Electric Company	ER-2006-0315	<p style="text-align: center;">June 2006</p> <p>Direct- Tree Trimming Expense and Construction Over-Run Costs</p>
Missouri Pipeline & Missouri Gas Company LLC	GC-2006-0378	<p style="text-align: center;">November 2006</p> <p>Plant in Service, Depreciation Reserve, Depreciation Expense, Transactions & Acquisition Costs and Income Taxes</p>
New Florence Telephone	TC-2006-0184	<p style="text-align: center;">October 2006</p> <p>Plant in Service; Depreciation Reserve; Depreciation Expense; Plant Overage; and Materials & Supplies</p>
Cass County Telephone	TC-2005-0357	<p style="text-align: center;">July 2006</p> <p>Plant in Service; Depreciation Reserve; Depreciation Expense; Plant Overage; Plant Held for Future Use and Missouri Universal Service Fund</p>
Cass County Telephone & New Florence Telephone Fraud Investigation Case	TO-2005-0237	<p style="text-align: center;">May 2006</p> <p>Fraud Investigation case involving Cass County Telephone and New Florence Telephone</p>
Missouri Gas Energy	GR-2004-0209	<p style="text-align: center;">June 2004</p> <p>Surrebuttal - Revenues and Bad Debt Expense</p> <p>True-Up - Revenues; Bad Debt Expense; Income Taxes</p>
Missouri Gas Energy	GR-2004-0209	<p style="text-align: center;">May 2004</p> <p>Rebuttal - Revenues; Bad Debt Expense; and Manufactured Gas Plant</p> <p>Litigated- Manufactured Gas Plant</p>

COMPANY	CASE NO.	TESTIMONY/ISSUES
Missouri Gas Energy	GR-2004-0209	<p style="text-align: center;">April 2004</p> Direct – Revenues; Purchased Gas Adjustments; Bad Debt Expense; Medical Expense; Rents; and Income Taxes
Union Electric Company d/b/a AmerenUE (Gas)	GR-2003-0517	<p style="text-align: center;">October 2003</p> Direct – Corporate Allocations; UEC Missouri Gas Allocations; CILCORP Allocations; Rent Expense; Maintenance of General Plant Expense; Lease Agreements; and Employee Relocation Expense
Union Electric Company d/b/a AmerenUE	EC-2002-1	<p style="text-align: center;">June 2002</p> Surrebuttal - Coal Inventory; Venice Power Plant Fire; Tree Trimming Expense; and Automated Meter Reading Service
Laclede Gas Company	GR-2002-356	<p style="text-align: center;">June 2002</p> Direct - Payroll; Payroll Taxes; 401k Pension Plan; Health Care Expenses; Pension Plan Trustee Fees; and Clearing Account: True- Up – Payroll; Payroll Taxes; and Clearing Accounts
Union Electric Company d/b/a AmerenUE (2 nd period, 3 rd EARP)	EC-2002-1025	<p style="text-align: center;">April 2002</p> Direct - Revenue Requirement Run; Plant in Service; Depreciation Reserve; Other Rate Base items; Venice Power Plant Fire expenditures; Tree Trimming Expense; and Coal Inventory
<p>2nd Complaint Case, Union Electric Company d/b/a AmerenUE</p> <p>New Test Year ordered by the Commission.</p>	EC-2002-1	<p style="text-align: center;">March 2002</p> Direct - Materials and Supplies; Prepayments; Fuel Inventory; Customer Advances for Construction; Customer Deposits; Plant in Service; Depreciation Reserve; Venice Power Plant Fire Expenditures; Tree-Trimming Expense; Automated Meter Reading Expense; Customer Deposit Interest Expense; Year 2000 Computer Modification Expense; Regulatory Advisor’s Consulting Fees; and Property Taxes Deposition – April 11, 2002

COMPANY	CASE NO.	TESTIMONY/ISSUES
1 st Complaint Case, Union Electric Company d/b/a AmerenUE	EC-2002-1	<p align="center">July 2001</p> <p>Direct - Materials and Supplies; Prepayments; Fuel Inventory; Customer Advances for Construction; Customer Deposits; Plant in Service; Depreciation Reserve; Power Plant Maintenance Expense; Tree-Trimming Expense; Automated Meter Reading Expense; Customer Deposit Interest Expense; Year 2000 Computer Modification Expense; Computer Software Expense; Regulatory Advisor's Consulting Fees; Board of Directors Advisor's Fees and Property Taxes.</p> <p>Deposition – November 27 2001</p>
Union Electric Company d/b/a AmerenUE (2 nd period, 2 nd EARP)	EC-2001-431	<p align="center">February 2001</p> <p>Coal Inventory</p>
Union Electric Company d/b/a AmerenUE (Gas)	GR-2000-512	<p align="center">August 2000</p> <p>Direct - Cash Working Capital; Advertising Expense; Missouri PSC Assessment; Dues and Donations; Automated Meter Reading Expenses; Computer System Software Expenses (CSS); Computer System Software Expenses (Y2K); Computer System Software Expenses (EMPRV); Generation Strategy Project Expenses; Regulatory Advisor's Consulting fees and Board of Directors Advisor's fees.</p>
SUMMARY OF INFORMAL CASES		
Noel Water Company	WR-2009-0395	<p align="center">August 2009</p> <p>Cost of Service; All Revenues & Expenses related to Noel Water Company; Plant in Service; Depreciation Reserve & other Rate Base Items.</p> <p>Lead Auditor</p>
Tri-State Water Company	WR-2009-0058	<p align="center">May 2008</p> <p>Payroll; rent expense; miscellaneous maintenance expenses; Rate Base and Income Taxes.</p> <p>Lead Auditor</p>

COMPANY	CASE NO.	TESTIMONY/ISSUES
Big Island Water & Sewer	WA-2006-0480 SA-2006-0482	<p align="center">January 2007</p> <p>Direct - Certificate of Necessitate Application Case: Cost of Service; All Revenues & Expenses related to Big Island Water & Sewer; Plant in Service; Depreciation Reserve & other Rate Base Items.</p> <p>Lead Auditor</p>
Aqua Missouri Water and Sewer	QS-2005-0008 QW-2005-0009 QS-2005-0010 QW-2005-0011	<p align="center">October 2006</p> <p>All Revenues & Expenses related to Aqua MO Water & Sewer; Plant in Service; Depreciation Reserve & other Rate Base Items.</p> <p>Lead Auditor</p>
Lake Region Water and Sewer Certificate Case	WA-2005-0463	<p align="center">October 2006</p> <p>Certificate of Necessitate Application Case</p> <p>Lead Auditor</p>
Tri-State Utility Inc.	WA-2006-0241	<p align="center">May 2006</p> <p>Certificate of Necessitate Application Case</p> <p>Lead Auditor</p>
Osage Water Company Environmental Utilities Missouri American Water	WO-2005-0086	<p align="center">February 2005</p> <p>Rate Base; Cost of Service; Income Statement Items; Pre-Post Sale of OWC, Sale of EU Assets to MAWC</p>
North Suburban Water & Sewer	WF-2005-0164	<p align="center">December 2004</p> <p>Sale of All Stocks of Lake Region Water & Sewer to North Suburban Water & Sewer, Value of Rate Base Assets, Acquisition Premium</p> <p>Lead Auditor</p>
Mill Creek Sewer	SR-2005-0116	<p align="center">December 2004</p> <p>Cost of Service; All Revenues & Expenses related to Mill Creek Sewer; Plant in Service; Depreciation Reserve & other Rate Base Items.</p> <p>Lead Auditor</p>

COMPANY	CASE NO.	TESTIMONY/ISSUES
Roark Water and Sewer	WR-2005-0153 SR-2005-0154	<p style="text-align: center;">September 2004</p> Cost of Service; All Revenues & Expenses related to Roark Water & Sewer; Plant in Service; Depreciation Reserve & other Rate Base Items. Lead Auditor
Osage Water Company	WT-2003-0583 SR-2003-0584	<p style="text-align: center;">December 2003</p> Cost of Service; All Revenues & Expenses related to Osage Water; Plant in Service; Depreciation Reserve & other Rate Base Items
SUMMARY OF NON-CASE RELATED AUDITS		
January 2006 – Environmental Utilities and Osage Water Company Audit Concerning Provision of Service to Eagle Woods Subdivision and Disconnect Notice		
November 2004 - Internal Audit of Public Service Commission (PSC) Fixed Assets, Physical Inventory Control Process and Location of Assets		

Manisha Lakhanpal

Present Position: Regulatory Economist III

I joined Missouri Public Service Commission in August 2007 as a Regulatory Economist II in the Economic Analysis Section of the Energy Department, Operations Division.

Educational Background:

In December 2005, I graduated with a Masters of Science in Applied Economics, specializing in Electricity, Natural Gas and Telecommunication, from Illinois State University, Normal, Illinois. I have a Post Graduate Diploma in Business Management from Chetana's Institute of Management and Research, Mumbai, India and an undergraduate degree in Political Science and History from University of Delhi, New Delhi, India.

Work Experience:

I first joined Missouri Public Service Commission as an intern in 2006 (May 2006-August 2006). Prior to returning to PSC I was employed by the Indiana Utility Regulatory Commission, Indianapolis, as a Utility Analyst (September 2006- August 2007). During my time in Indiana I worked on a variety of cases and projects, including a major rate case, wholesale power cost trackers for municipal utilities, environmental cost recovery cases, a certificate of need for the first wind power project in Indiana as well as a related case involving the purchase of output from the facility, and annual report to the legislature on the state of the industry in Indiana.

In the summer of 2005 (May 2005-July 2005), I worked as an Intern at Commonwealth Edison (ComEd), Chicago, on projects related to deregulation of electric markets in Illinois.

In India I have worked as an Operations Executive for an insurance company (June 2001 - December 2003).

Case Proceeding Participation

Company	Case Number	Issue
Missouri Gas Utility	GR-2008-0060	Weather normal variables for weather normalization
Empire District Electric Company	ER-2008-0093	Weather normal variables for weather normalization, Revenue for Large Power and Large Transmission rate class

Company	Case Number	Issue
Trigen-Kansas City Energy Corporation-(Steam/Heat)	HR-2008-0300	Weather normal variables and weather normalization factors
Ameren UE	ER-2008-0318	Weather normal variables for weather normalization, Revenue for Large Power and Large Transmission rate class
Kansas City Power & Light Company	ER-2009-0089	Weather normal variables for weather normalization, Retail Rate Revenue
KCP&L GMO Company	ER-2009-0090	Weather normal variables for weather normalization
MGE (filed rebuttal and surrebuttal testimony)	GR-2009-0355	Weather normal variables for weather normalization
Ameren UE	ER-2010-0036	Weather normal variables for weather normalization, Revenue for Large Power and Large Transmission rate class
Empire Gas	GR-2009-0434	Weather normal variables for weather normalization
Laclede Gas	GR-2010-0171	Weather normal variables for weather normalization
Atmos Energy	GR-2010-0192	Weather normal variables for weather normalization

Publications: “Educational Attainment and AIDS Incidence: A Cross-Country Study”, coauthored with Dr. Rati Ram, Department of Economics, Illinois State University, Economics of Education Review, 2008, vol. 27, issue 1, pages 14-21.

SHAWN E. LANGE

PRESENT POSITION:

I am a Utility Engineering Specialist III in the Engineering Analysis Section, Energy Department, Utility Operations Division.

EDUCATIONAL BACKGROUND AND WORK EXPERIENCE:

In December 2002, I received a Bachelor of Science Degree in Mechanical Engineering from the University of Missouri, at Rolla now known as the Missouri University of Science and Technology. I joined the Commission Staff in January 2005. I am a registered Engineer-in-Training in the State of Missouri.

TESTIMONY FILED:

Case Number	Utility	Testimony	Issue
ER-2005-0436	Aquila Inc.	Direct	Weather Normalization
		Rebuttal	Weather Normalization
		Surrebuttal	Weather Normalization
ER-2006-0314	Kansas City Power & Light Company	Direct	Weather Normalization
		Rebuttal	Weather Normalization
ER-2006-0315	Empire District Electric Company	Direct	Weather Normalization
		Surrebuttal	Weather Normalization
ER-2007-0002	Union Electric Company d/b/a AmerenUE	Direct	Weather Normalization
ER-2007-0004	Aquila Inc.	Direct	Weather Normalization
ER-2007-0291	Kansas City Power & Light Company	Staff Report	Weather Normalization
		Rebuttal	Weather Normalization
ER-2008-0093	Empire District Electric Company	Staff Report	Weather Normalization
ER-2008-0318	Union Electric Company d/b/a AmerenUE	Staff Report	Weather Normalization
ER-2009-0089	Kansas City Power & Light Company	Staff Report	Net System Input
ER-2009-0090	KCP&L Greater Missouri Operations Company	Staff Report	Net System Input
ER-2010-0036	Union Electric Company d/b/a AmerenUE	Staff Report	Net System Input

Erin Maloney

Education

Bachelor of Science Mechanical Engineering
University of Las Vegas Nevada, May 1992

Professional Experience

Missouri Public Service Commission, Jefferson City, MO

January 2005 – Present

Utility Engineering Specialist II

Electronic Data Systems, Kansas City, Missouri

August 1995 – November 2002

System Engineer

Previous Testimony Filed Before the Commission

Case Number	Type of Testimony	Issue
ER-2005-0436	Direct	Reliability
ER-2006-0315	Direct	System Losses and Jurisdictional Demand and Energy Allocation
ER-2006-0314	Direct, Rebuttal, Surrebuttal, True-up Direct	System Losses and Jurisdictional Demand and Energy Allocation
ER-2007-0002	Direct	System Losses and Jurisdictional Demand and Energy Allocation
ER-2007-0004	Direct	System Losses and Jurisdictional Demand and Energy Allocation
ER-2007-0291	Staff Report	System Losses and Jurisdictional Demand and Energy Allocation
ER-2008-0093	Staff Report	System Losses and Jurisdictional Demand and Energy Allocation
ER-2008-0318	Staff Report, Rebuttal, Surrebuttal	Fuel and Purchased Power Prices
ER-2009-0090	Staff Report	Purchased Power Prices
ER-2009-0089	Staff Report	Allocation Factor for Fuel & Purchased Power
ER-2010-0036	Staff Report	Fuel and Purchased Power Prices

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Western Resources	GR-90-40 and	Take-Or-Pay Costs
	GR-91-149	
Missouri-American Water Company	WR-91-211	True-up; Known and Measurable
Missouri Public Service	EO-91-358 and	AAO
	EO-91-360	
Generic Telephone	TO-92-306	Revenue Neutrality; Accounting Classification
Generic Electric	EO-93-218	Preapproval
Western Resources & Southern Union Company	GM-94-40	Regulatory Asset Transfer
St. Louis County Water	WR-95-145	Policy
Union Electric Company	EM-96-149	Merger Savings; Transmission Policy
St. Louis County Water	WR-96-263	Future Plant
Missouri Gas Energy	GR-96-285	Riders; Savings Sharing
The Empire District Electric Company	ER-97-82	Policy
Missouri Public Service	ER-97-394	Stranded/Transition Costs; Regulatory Asset Amortization; Performance Based Regulation
Western Resources & Kansas City Power & Light	EM-97-515	Regulatory Plan; Ratemaking Recommendations; Stranded Costs
United Water Missouri	WA-98-187	FAS 106 Deferrals
Laclede Gas Company	GR-99-315 (remand)	Depreciation and Cost of Removal
Missouri-American Water	WM-2000-222	Conditions
UtiliCorp United & St. Joseph Light & Power	EM-2000-292	Staff Overall Recommendations
UtiliCorp United & The Empire District Electric Company	EM-2000-369	Overall Recommendations
Green Hills Telephone	TT-2001-115	Policy
IAMO Telephone Company	TT-2001-116	Policy

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Ozark Telephone Company	TT-2001-117	Policy
Peace Valley Telephone	TT-2001-118	Policy
Holway Telephone Company	TT-2001-119	Policy
KLM Telephone Company	TT-2001-120	Policy
Missouri Gas Energy	GR-2001-292	SLRP Deferrals; Y2K Deferrals; Deferred Taxes; SLRP and Y2K CSE/GSIP
The Empire District Electric Company	ER-2001-299	Prudence/State Line Construction/Capital Costs
Ozark Telephone Company	TC-2001-402	Interim Rate Refund
Gateway Pipeline Company	GM-2001-585	Financial Statements
Missouri Public Service	ER-2001-672	Purchased Power Agreement; Merger Savings/Acquisition Adjustment
Union Electric Company	EC-2002-1	Merger Savings; Criticisms of Staff's Case; Injuries and Damages; Uncollectibles
Laclede Gas Company	GA-2002-429	AAO Request
Aquila, Inc., d/b/a Aquila Networks-MPS-Electric and Aquila Networks-L&P-Electric and Steam	ER-2004-0034 and HR-2004-0024 (Consolidated)	Aries Purchased Power Agreement; Merger Savings
Missouri Gas Energy	GR-2004-0209	Revenue Requirement Differences; Corporate Cost Allocation Study; Policy; Load Attrition; Capital Structure
Empire District Electric	ER-2006-0315	Fuel/Purchased Power; Regulatory Plan Amortizations; Return on Equity; True-Up
Missouri Gas Energy	GR-2006-0422	Unrecovered Cost of Service Adjustment; Policy
Laclede Gas Company	GR-2007-0208	Case Overview; Depreciation Expense/Depreciation Reserve; Affiliated Transactions; Regulatory Compact

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Missouri Gas Utility	GR-2008-0060	Report on Cost of Service; Overview of Staff's Filing
The Empire District Electric Company	ER-2008-0093	Case Overview; Regulatory Plan Amortizations; Asbury SCR; Commission Rules Tracker; Fuel Adjustment Clause; ROE and Risk; Depreciation; True-up; Gas Contract Unwinding
Missouri Gas Energy, a Division of Southern Union	GR-2009-0355	Staff Report Cost of Service; Direct Report on Cost of Service; Overview of the Staff's Filing; Rebuttal Kansas Property Taxes/AAO; Bad Debts/Tracker; FAS 106/OPEBs; Policy; Surrebuttal Environmental Expense, FAS 106/OPEBs

Cases prior to 1990 include:

Kansas City Power and Light Company	ER-82-66
Kansas City Power and Light Company	HR-82-67
Southwestern Bell Telephone Company	TR-82-199
Missouri Public Service Company	ER-83-40
Kansas City Power and Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power and Light Company	EO-84-4
Kansas City Power and Light Company	ER-85-128 & EO-85-185
KPL Gas Service Company	GR-86-76
Kansas City Power and Light Company	HO-86-139
Southwestern Bell Telephone Company	TC-89-14

John A. Rogers

Educational Background and Work Experience

I have a Master of Business Administration degree from the University of San Diego and a Bachelor of Science degree in Engineering Science from the University of Notre Dame and am a registered professional engineer. My work experience includes 34 years in energy utility engineering, system operations, strategic planning, regulatory affairs and management. From 1974 to 1985, I was employed by San Diego Gas & Electric with responsibilities in gas engineering, gas system planning and gas system operations. From 1985 to 2000, I was employed by Citizens Utilities in leadership roles for gas operations in Arizona, Colorado and Louisiana. From 2000 to 2003, I was an executive consultant for Convergent Group (a division of Schlumberger) providing management consulting services to energy companies. From 2004 to 2008, I was employed by Arkansas Western Gas and was responsible for strategic planning and resource planning. I have provided expert testimony before the California Public Utilities Commission, Arizona Corporation Commission, Arkansas Public Service Commission and Missouri Public Service Commission in general rate cases, applications for special projects and demand-side management programs and gas resource plan filings. I have been employed by the Missouri Public Service Commission since December 2008 and am responsible for Staff's review of electric utility resource planning compliance filings, demand-side management programs and fuel adjustment clauses.

Testimony Submitted or Given In Last Ten Years

o Arkansas Public Service Commission

Docket No. 05-111-P, prepared testimony and rebuttal testimony in the matter of Arkansas Western Gas Company for approval of a gas conservation home weatherization program.

Docket No. 07-041-P, prepared testimony in the matter of the application of Arkansas Western Gas Company for approval of a special contract for Arkansas Electric Cooperative Corporation's Elkins peaking plant.

Docket No. 07-078-TP, prepared testimony and rebuttal testimony in the matter of application for approval of Arkansas Western Gas Company's initial energy efficiency program plan.

Docket No. 07-079-TF, prepared testimony and rebuttal testimony in the matter of the application for approval of the Arkansas Weatherization Program.

o Missouri Public Service Commission

Case No. ER-2009-2009, surrebuttal testimony concerning fuel adjustment clause tariff in general rate case of KCP&L Greater Missouri Operations Company.

Case No. ER-2010-0036, rebuttal testimony concerning customer demand-side programs, regulatory asset and fuel adjustment clause tariff in the general rate case of AmerenUE.

Contributed to Missouri PSC Staff Direct Testimony Report

Case No. ER-2009-0090, Staff Report Class Cost of Service and Rate Design concerning fuel adjustment clause tariff in general rate case of KCPL Greater Missouri Operations Company.

Case No. EE-2009-0237, Staff Report Electric Utility Resource Planning Compliance Filing of KCPL Greater Missouri Operations Company.

Case No. ER-2010-0036, Staff Revenue Requirement Cost of Service Report and Staff Class Cost-of-Service and Rate Design Report concerning customer demand-side programs, regulatory asset and fuel adjustment clause tariff in the general rate case of AmerenUE.

CURT WELLS

Present Position:

I am a Regulatory Economist in the Economic Analysis Section, Energy Department, Operations Division of the Missouri Public Service Commission.

Educational Background and Work Experience:

I have a Bachelor's degree in Economics from Duke University, a Master's degree in Economics from The Pennsylvania State University, and a Master's degree in Applied Economics from Southern Methodist University. I have been employed by the Missouri Public Service Commission since February, 2006. Prior to joining the Commission, I completed a career in the U.S. Air Force, which included assignments as an aircraft navigator, and later in the Purchasing/Contracting area as Contract Negotiator and Administrator, Installation Purchasing Department Chief, Contracting Policy Manager, Director of the Air Force warranty center, and Program Manager responsible for developing and awarding technical support contracts.

CURT WELLS

TESTIMONY/REPORTS FILED BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

<u>Case Number</u>	<u>Company</u>	<u>Issue</u>
ER-2006-0314 Direct/ True-up Direct	Kansas City Power & Light Company	Calculation of Normal Weather, Revenue
ER-2006-0315 Direct/Rebuttal	Empire District Electric	Revenue
GR-2006-0387 Direct	ATMOS Energy Corporation	Calculation of Normal Weather
GR-2006-0422 Direct/Rebuttal/ Surrebuttal	Missouri Gas Energy	Calculation of Normal Weather
ER-2007-0002 Direct/Rebuttal	Union Electric d/b/a AmerenUE	Calculation of Normal Weather, Large Customer Annualization
GR-2007-0003 Direct	Union Electric d/b/a AmerenUE	Calculation of Normal Weather
ER-2007-0004 Direct/ Supplemental Direct	Aquila, Inc	Calculation of Normal Weather, Revenue
GR-2007-0208 Direct	Laclede Gas Company	Calculation of Normal Weather
ER-2007-0291 Direct/Rebuttal	Kansas City Power & Light Co.	Calculation of Normal Weather, Large Power Revenue
ER-2008-0093 Direct(Report)/ Surrebuttal True-up Direct	Empire District Electric	Revenue, Rate Design

<u>Case Number</u>	<u>Company</u>	<u>Issue</u>
HR-2008-0300 Direct(Report)	Trigen-Kansas City Energy Corp.	Rate Design
ER-2008-0318 Direct(Report)	Union Electric d/b/a AmerenUE	Revenue
ER-2009-0089 Direct	Kansas City Power & Light Co.	[Coordinator]
ER-2009-0090 Direct(Report)	KCP&L Greater Missouri Operations	Revenue, [Coordinator]
HR-2009-0092 Direct	KCP&L Steam Greater Missouri Operations	[Coordinator]
ER-2010-0036 Direct(Report)	Union Electric d/b/a AmerenUE	Revenue

Casey Westhues

Educational and Employment Background and Credentials

I am currently employed with the Missouri Public Service Commission as a Utility Regulatory Auditor I. I accepted this position in January 2009.

I graduated from Missouri State University located in Springfield, MO with my Masters Degree in Accounting in December 2009. Prior to obtaining my Masters degree, I earned my Bachelors of Science degree in Accounting from William Woods University located in Fulton, MO.

In my short time at the commission I have participated in the Empire District Electric rate case, Case No. ER-2010-0130. While working on this case I sponsored recommendations in the following areas: outside services, materials and supplies, prepayments, customer deposits, rate case expense, insurance expense, postage, injuries and damages, advertising, property taxes, cash working capital, plant in service, depreciation reserve, and dues and donations.

David Williams

Educational and Employment Background and Credentials

I am currently employed as a Utility Engineering Specialist II for the Missouri Public Service Commission (Commission). I was employed by the Commission in July of 2008. I received a Master of Science degree in Industrial Engineering from the University of Missouri - Columbia in 1967, and undergraduate degrees in engineering and business management in 1965.

From 1967 until 2000 I was employed by the University of Missouri in engineering, research and information technology capacities.

Case Participation:

Company	Case No.
Aqua Missouri (CU)	SR-2010-0026
Aqua Missouri (CU)	WR-2010-0027
Aqua Missouri (Development)	SR-2010-0023
Aqua Missouri (Development)	SC-2010-0150
Aqua Missouri, Inc.	SC-2010-0152
Aqua Missouri, Inc.	WC-2010-0151
Aqua Missouri (RU)	WC-2010-0153
Aqua Missouri (RU)	WR-2010-0025
Citizens Telephone Company	IO-2009-0032
Empire District Electric	ER-2010-0130
Empire District Gas	GR-2009-0434
Hickory Hills Water & Sewer	WR-2009-0151
Hickory Hills Water & Sewer	SR-2009-0154

Company	Case No.
Kansas City Power and Light	HR-2009-0092
Laclede Gas	GR-2010-0171
Lake Region Water & Sewer	WR-2010-0111
Lake Region Water & Sewer	SR-2010-0110
Mid-Missouri Telephone	IU-2010-0164
Missouri Gas Energy	GR-2009-0355
Missouri Gas Energy	GE-2010-0030
Missouri Utilities	WR-2009-0150
Missouri Utilities	SR-2009-0153
Osage Water	WR-2009-0149
Osage Water	SR-2009-0152
Suburban Water and Sewer	WR-2009-0197
Swiss Villa Utilities	WO-2007-0410
Whiteside Hidden Acres	WA-2009-0261
Whiteside Hidden Acres	SA-2009-0262
Woodland Acres	WA-2009-0031

MISSOURI PUBLIC SERVICE COMMISSION

**STAFF REPORT
COST OF SERVICE**

**APPENDIX 2
Support for Staff Cost
of
Capital Recommendations**

EMPIRE DISTRICT ELECTRIC COMPANY

The-Investor (Electric)

CASE NO. ER-2010-0130

Attachment A

The DCF model is a market-oriented approach for deriving the cost of common equity. The cost of common equity calculated from the DCF model is inherently capable of attracting capital. This results from the theory that security prices adjust continually over time, so that an equilibrium price exists and the stock is neither undervalued nor overvalued. It can also be stated that stock prices continually fluctuate to reflect the required and expected return for the investor.

The constant-growth form of the DCF model was used in this analysis. This model relies upon the fact that a company's common stock price is dependent upon the expected cash dividends and upon cash flows received through capital gains or losses that result from stock price changes. The interest rate which discounts the sum of the future expected cash flows to the current market price of the common stock is the calculated cost of common equity. This can be expressed algebraically as:

$$\text{Present Price} = \frac{\text{Expected Dividends}}{\text{Discounted by } k} + \frac{\text{Expected Price in 1 year}}{\text{Discounted by } k} \quad (1)$$

where k equals the cost of equity. Since the expected price of a stock in one year is equal to the present price multiplied by one plus the growth rate, equation (1) can be restated as:

$$\text{Present Price} = \frac{\text{Expected Dividends}}{(1 + k)} + \frac{\text{Present Price } (1+g)}{(1 + k)} \quad (2)$$

where g equals the growth rate and k equals the cost of equity. Letting the present price equal P_0 and expected dividends equal D_1 , the equation appears as:

$$P_0 = \frac{D_1}{(1 + k)} + \frac{P_0(1+g)}{(1 + k)} \quad (3)$$

The cost of equity equation may also be algebraically represented as:

$$k = \frac{D_1}{P_0} + g \quad (4)$$

Thus, the cost of common stock equity, k , is equal to the expected dividend yield (D_1/P_0) plus the expected growth in dividends (g) continuously summed into the future. The growth in dividends and implied growth in earnings will be reflected in the current price. Therefore, this model also recognizes the potential of capital gains or losses associated with owning a share of common stock.

The discounted cash flow method is a continuous stock valuation model. The DCF theory is based on the following assumptions:

1. Market equilibrium;
2. Perpetual life of the company;
3. Constant payout ratio;
4. Payout of less than 100% earnings;
5. Constant price/earnings ratio;
6. Constant growth in cash dividends;
7. Stability in interest rates over time;
8. Stability in required rates of return over time; and,
9. Stability in earned returns over time.

Flowing from these, it is further assumed that an investor's growth horizon is unlimited and that earnings, book values and market prices grow hand-in-hand. Although the entire list of the above assumptions is rarely met, the DCF model is a reasonable working model describing an actual investor's expectations and resulting behaviors.

Attachment B

The CAPM describes the relationship between a security's investment risk and its market rate of return. This relationship identifies the rate of return which investors expect a security to earn so that its market return is comparable with the market returns earned by other securities that have similar risk. The general form of the CAPM is as follows:

$$k = R_f + \beta (R_m - R_f)$$

where:

- k = the expected return on equity for a specific security;
- R_f = the risk-free rate;
- β = beta; and
- $R_m - R_f$ = the market risk premium.

The first term of the CAPM is the risk-free rate (R_f). The risk-free rate reflects the level of return that can be achieved without accepting any risk. In reality, there is no such risk-free asset, but it is generally represented by U.S. Treasury securities.

The second term of the CAPM is beta (β). Beta is an indicator of a security's investment risk. It represents the relative movement and relative risk between a particular security and the market as a whole (where beta for the market equals 1.00). Securities with betas greater than 1.00 exhibit greater volatility than do securities with betas less than 1.00. This causes a higher beta security to be less desirable to a risk-averse investor and therefore requires a higher return in order to attract investor capital away from a lower beta security.

The final term of the CAPM is the market risk premium ($R_m - R_f$). The market risk premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk-free investment.

AN ANALYSIS OF THE COST OF CAPITAL

FOR

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2010-0130

SCHEDULES

BY

SHANA ATKINSON

UTILITY SERVICES DIVISION

MISSOURI PUBLIC SERVICE COMMISSION

FEBRUARY 2010

The Empire District Electric Company

Case No. ER-2010-0130

List of Schedules

Schedule Number	Description of Schedule
1	List of Schedules
2-1	Federal Reserve Discount Rate and Federal Reserve Funds Rate Changes
2-2	Graph of Federal Reserve Discount Rates and Federal Funds Rates Changes
3-1	Rate of Inflation
3-2	Graph of Rate of Inflation
4-1	Average Yields on Mergent's Public Utility Bonds
4-2	Average Yields on Thirty-Year U.S. Treasury Bonds
4-3	Graph of Average Yields on Mergent's Public Utility Bonds and Thirty-Year U.S. Treasury Bonds
4-4	Graph of Monthly Spreads Between Yields on Mergent's Public Utility Bonds and Thirty-Year U.S. Treasury Bonds
4-5	Moody's Baa Corporate Bond Yields
5	Economic Estimates and Projections, 2009-2011
6	Historical Consolidated Capital Structures of The Empire District Electric Company
7	Capital Structure as of December 31, 2009 for The Empire District Electric Company
8	Cost of Long-Term Debt as of December 31, 2009 for The Empire District Electric Company
9	Cost of Preferred Stock as of December 31, 2009 for The Empire District Electric Company
10	Criteria for Selecting Comparable Electric Utility Companies
11	Comparable Electric Utility Companies for The Empire District Electric Company
12-1	Ten-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates for the Comparable Electric Utility Companies and Empire
12-2	Five-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates for the Comparable Electric Utility Companies and Empire
12-3	Average of Ten and Five-Year Dividends Per Share, Earnings Per Share & Book Value Per Share of Growth Rates for the Comparable Electric Utility Companies and Empire
13	Five-Year Projected Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates for the Comparable Electric Utility Companies and Empire
14	Projected EPS Growth Rates for the Comparable Electric Utility Companies and Empire
15	Historical and Projected Growth Rates for the Comparable Electric Utility Companies and Empire
16	Average High / Low Stock Price for November 2009 through January 2010 for the Comparable Electric Utility Companies and Empire
17	Constant-Growth Discount Cash Flow (DCF) Estimated Costs of Common Equity for the Comparable Electric Utility Companies and Empire
18	Capital Asset Pricing Model (CAPM) Costs of Common Equity Estimates Based on Historical Return Differences Between Common Stocks and Long-Term U.S. Treasuries for the Comparable Electric Utility Companies and Empire
19	Multiple-Stage Discounted Cash Flow (DCF) Estimated Costs of Common Equity for the Comparable Electric Utility Companies and Empire
20	Selected Financial Ratios for the Comparable Electric Utility Companies and Empire
21	Public Utility Revenue Requirement or Cost of Service
22	Weighted Cost of Capital as of December 31, 2009 for Empire District Electric Company

The Empire District Electric Company
Case No. ER-2010-0130

Federal Reserve Discount Rates Changes and Federal Reserve Funds Rates Changes

Date	Federal Reserve Discount Rate	Federal Reserve Funds Rate	Date	Federal Reserve Discount Rate	Federal Reserve Funds Rate
01/01/83	8.50%		06/30/99	4.50%	5.00%
12/31/83	8.50%		08/24/99	4.75%	5.25%
04/09/84	9.00%		11/16/99	5.00%	5.50%
11/21/84	8.50%		02/02/00	5.25%	5.75%
12/24/84	8.00%		03/21/00	5.50%	6.00%
05/20/85	7.50%		05/19/00	6.00%	6.50%
03/07/86	7.00%		01/03/01	5.75%	6.00%
04/21/86	6.50%		01/04/01	5.50%	6.00%
07/11/86	6.00%		01/31/01	5.00%	5.50%
08/21/86	5.50%		03/20/01	4.50%	5.00%
09/04/87	6.00%		04/18/01	4.00%	4.50%
08/09/88	6.50%		05/15/01	3.50%	4.00%
02/24/89	7.00%		06/27/01	3.25%	3.75%
07/13/90		8.00%*	08/21/01	3.00%	3.50%
10/29/90		7.75%	09/17/01	2.50%	3.00%
11/13/90		7.50%	10/02/01	2.00%	2.50%
12/07/90		7.25%	11/06/01	1.50%	2.00%
12/18/90		7.00%	12/11/01	1.25%	1.75%
12/19/90	6.50%		11/06/02	0.75%	1.25%
01/09/91		6.75%	01/09/03	2.25%**	1.25%
02/01/91	6.00%	6.25%	06/25/03	2.00%	1.00%
03/08/91		6.00%	06/30/04	2.25%	1.25%
04/30/91	5.50%	5.75%	08/10/04	2.50%	1.50%
08/06/91		5.50%	09/21/04	2.75%	1.75%
09/13/91	5.00%	5.25%	11/10/04	3.00%	2.00%
10/31/91		5.00%	12/14/04	3.25%	2.25%
11/06/91	4.50%	4.75%	02/02/05	3.50%	2.50%
12/06/91		4.50%	03/22/05	3.75%	2.75%
12/20/91	3.50%	4.00%	05/03/05	4.00%	3.00%
04/09/92		3.75%	06/30/05	4.25%	3.25%
07/02/92	3.00%	3.25%	08/09/05	4.50%	3.50%
09/04/92		3.00%	09/20/05	4.75%	3.75%
01/01/93			11/01/05	5.00%	4.00%
12/31/93	No Changes	No Changes	12/13/05	5.25%	4.25%
02/04/94		3.25%	01/31/06	5.50%	4.50%
03/22/94		3.50%	03/28/06	5.75%	4.75%
04/18/94		3.75%	05/10/06	6.00%	5.00%
05/17/94	3.50%	4.25%	06/29/06	6.25%	5.25%
08/16/94	4.00%	4.75%	08/17/07	5.75%	5.25%
11/15/94	4.75%	5.50%	09/18/07	5.25%	4.75%
02/01/95	5.25%	6.00%	10/31/07	5.00%	4.50%
07/06/95		5.75%	12/11/07	4.75%	4.25%
12/19/95		5.50%	01/22/08	4.00%	3.50%
01/31/96	5.00%	5.25%	01/30/08	3.50%	3.00%
03/25/97		5.50%	03/16/08	3.25%	
12/12/97	5.00%		03/18/08	2.50%	2.25%
01/09/98	5.00%		04/30/08	2.25%	2.00%
03/06/98	5.00%		10/08/08	1.75%	1.50%
09/29/98		5.25%	10/28/08	1.25%	1.00%
10/15/98	4.75%	5.00%	12/30/08	0.50%	0% - .25%
11/17/98	4.50%	4.75%			

* Staff began tracking the Federal Funds Rate.

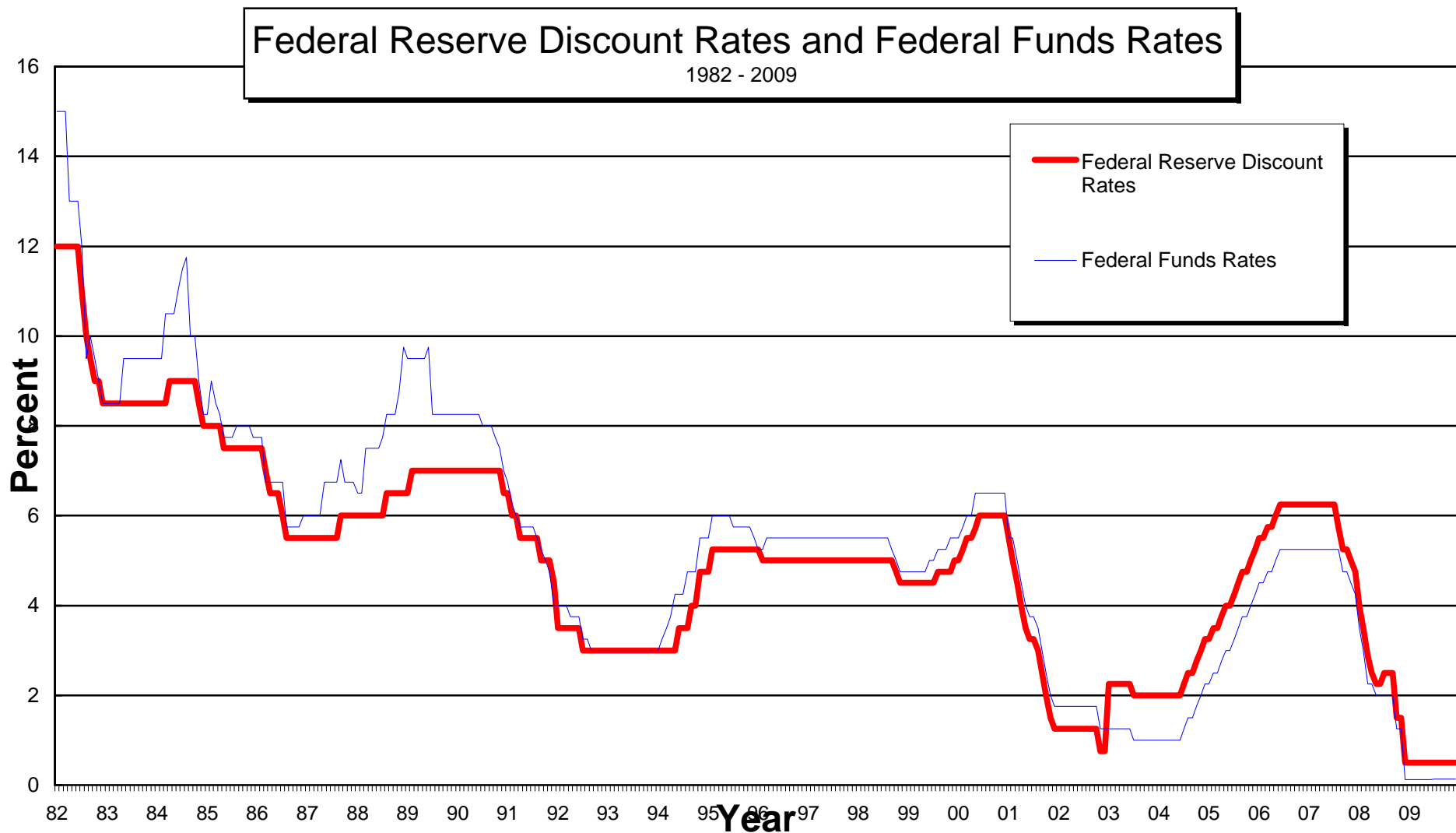
**Revised discount window program begins. Reflects rate on primary credit. This revised discount window policy results in incomparat of the discount rates after January 9, 2003 to discount rates before January 9, 2003.

Source:

Federal Reserve Discount rate <http://www.newyorkfed.org/markets/statistics/dlyrates/fedrate.html>
 Federal Reserve Funds rate <http://www.newyorkfed.org/markets/statistics/dlyrates/fedrate.html>

Note: Interest rates as of December 31 for each year are underlined.

The Empire District Electric Company
Case No. ER-2010-0130



The Empire District Electric Company
Case No. ER-2010-0130

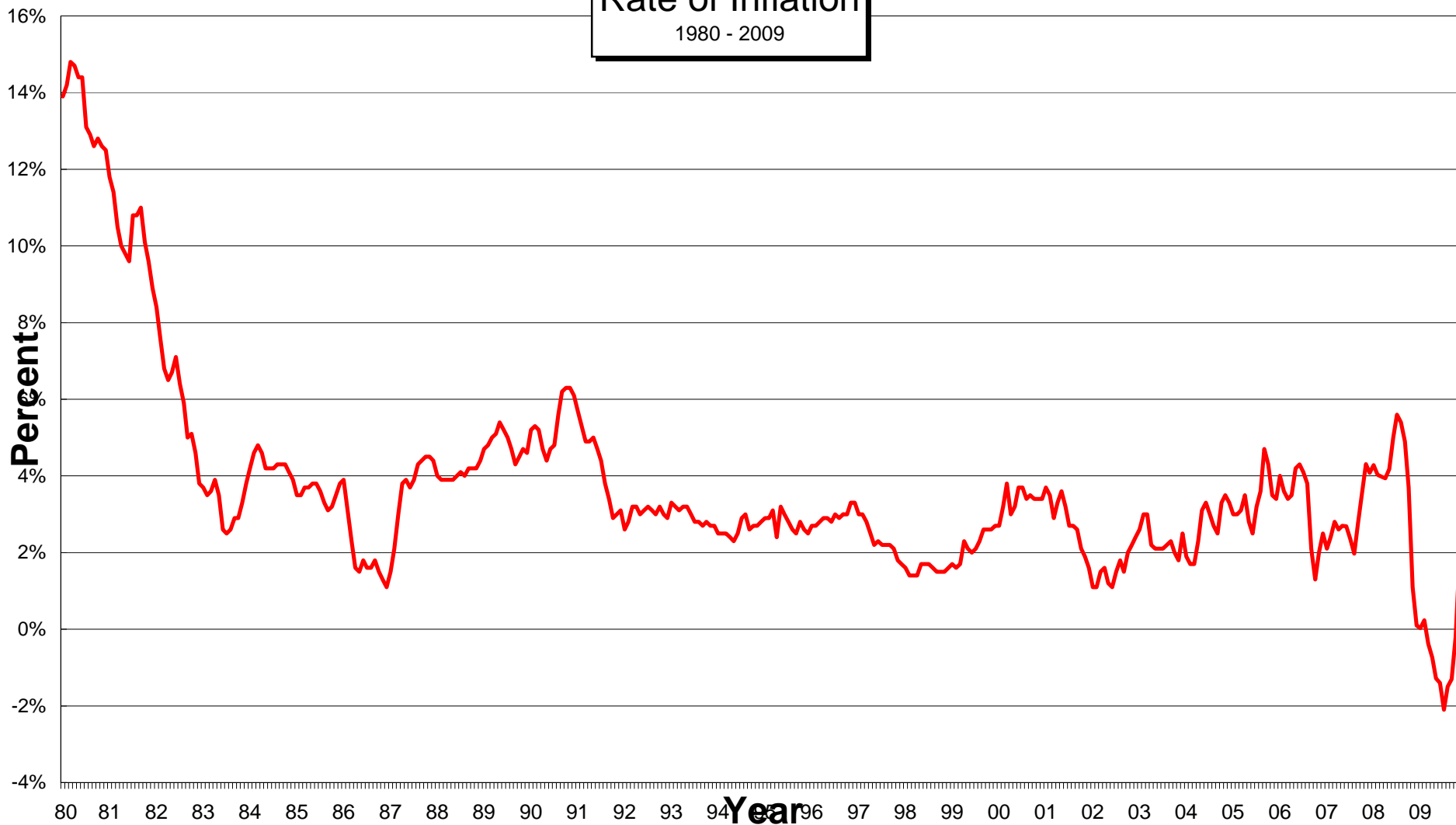
Rate of Inflation

Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)
Jan 1980	13.90	Jan 1984	4.20	Jan 1988	4.00	Jan 1992	2.60	Jan 1996	2.70	Jan 2000	2.70	Jan 2004	1.90	Jan 2008	4.30
Feb	14.20	Feb	4.60	Feb	3.90	Feb	2.80	Feb	2.70	Feb	3.20	Feb	1.70	Feb	4.00
Mar	14.80	Mar	4.80	Mar	3.90	Mar	3.20	Mar	2.80	Mar	3.70	Mar	1.70	Mar	4.00
Apr	14.70	Apr	4.60	Apr	3.90	Apr	3.20	Apr	2.90	Apr	3.00	Apr	2.30	Apr	3.90
May	14.40	May	4.20	May	3.90	May	3.00	May	2.90	May	3.20	May	3.10	May	4.20
Jun	14.40	Jun	4.20	Jun	4.00	Jun	3.10	Jun	2.80	Jun	3.70	Jun	3.30	Jun	5.00
Jul	13.10	Jul	4.20	Jul	4.10	Jul	3.20	Jul	3.00	Jul	3.70	Jul	3.00	Jul	5.60
Aug	12.90	Aug	4.30	Aug	4.00	Aug	3.10	Aug	2.90	Aug	3.40	Aug	2.70	Aug	5.40
Sep	12.60	Sep	4.30	Sep	4.20	Sep	3.00	Sep	3.00	Sep	3.50	Sep	2.50	Sep	4.90
Oct	12.80	Oct	4.30	Oct	4.20	Oct	3.20	Oct	3.00	Oct	3.40	Oct	3.30	Oct	3.70
Nov	12.60	Nov	4.10	Nov	4.20	Nov	3.00	Nov	3.30	Nov	3.40	Nov	3.50	Nov	1.10
Dec	12.50	Dec	3.90	Dec	4.40	Dec	2.90	Dec	3.30	Dec	3.40	Dec	3.30	Dec	0.10
Jan 1981	11.80	Jan 1985	3.50	Jan 1989	4.70	Jan 1993	3.30	Jan 1997	3.00	Jan 2001	3.70	Jan 2005	3.00	Jan 2009	0.00
Feb	11.40	Feb	3.50	Feb	4.80	Feb	3.20	Feb	3.00	Feb	3.50	Feb	3.00	Feb	0.20
Mar	10.50	Mar	3.70	Mar	5.00	Mar	3.10	Mar	2.80	Mar	2.90	Mar	3.10	Mar	-0.40
Apr	10.00	Apr	3.70	Apr	5.10	Apr	3.20	Apr	2.50	Apr	3.30	Apr	3.50	Apr	-0.70
May	9.80	May	3.80	May	5.40	May	3.20	May	2.20	May	3.60	May	2.80	May	-1.28
Jun	9.60	Jun	3.80	Jun	5.20	Jun	3.00	Jun	2.30	Jun	3.20	Jun	2.50	Jun	-1.40
Jul	10.80	Jul	3.60	Jul	5.00	Jul	2.80	Jul	2.20	Jul	2.70	Jul	3.20	Jul	-2.10
Aug	10.80	Aug	3.30	Aug	4.70	Aug	2.80	Aug	2.20	Aug	2.70	Aug	3.60	Aug	-1.50
Sep	11.00	Sep	3.10	Sep	4.30	Sep	2.70	Sep	2.20	Sep	2.60	Sep	4.70	Sep	-1.30
Oct	10.10	Oct	3.20	Oct	4.50	Oct	2.80	Oct	2.10	Oct	2.10	Oct	4.30	Oct	-0.20
Nov	9.60	Nov	3.50	Nov	4.70	Nov	2.70	Nov	1.80	Nov	1.90	Nov	3.50	Nov	1.80
Dec	8.90	Dec	3.80	Dec	4.60	Dec	2.70	Dec	1.70	Dec	1.60	Dec	3.40	Dec	2.70
Jan 1982	8.40	Jan 1986	3.90	Jan 1990	5.20	Jan 1994	2.50	Jan 1998	1.60	Jan 2002	1.10	Jan 2006	4.00		
Feb	7.60	Feb	3.10	Feb	5.30	Feb	2.50	Feb	1.40	Feb	1.10	Feb	3.60		
Mar	6.80	Mar	2.30	Mar	5.20	Mar	2.50	Mar	1.40	Mar	1.50	Mar	3.40		
Apr	6.50	Apr	1.60	Apr	4.70	Apr	2.40	Apr	1.40	Apr	1.60	Apr	3.50		
May	6.70	May	1.50	May	4.40	May	2.30	May	1.70	May	1.20	May	4.20		
Jun	7.10	Jun	1.80	Jun	4.70	Jun	2.50	Jun	1.70	Jun	1.10	June	4.30		
Jul	6.40	Jul	1.60	Jul	4.80	Jul	2.90	Jul	1.70	Jul	1.50	July	4.10		
Aug	5.90	Aug	1.60	Aug	5.60	Aug	3.00	Aug	1.60	Aug	1.80	Aug	3.80		
Sep	5.00	Sep	1.80	Sep	6.20	Sep	2.60	Sep	1.50	Sep	1.50	Sep	2.10		
Oct	5.10	Oct	1.50	Oct	6.30	Oct	2.70	Oct	1.50	Oct	2.00	Oct	1.30		
Nov	4.60	Nov	1.30	Nov	6.30	Nov	2.70	Nov	1.50	Nov	2.20	Nov	2.00		
Dec	3.80	Dec	1.10	Dec	6.10	Dec	2.80	Dec	1.60	Dec	2.40	Dec	2.50		
Jan 1983	3.70	Jan 1987	1.50	Jan 1991	5.70	Jan 1995	2.90	Jan 1999	1.70	Jan 2003	2.60	Jan 2007	2.10		
Feb	3.50	Feb	2.10	Feb	5.30	Feb	2.90	Feb	1.60	Feb	3.00	Feb	2.40		
Mar	3.60	Mar	3.00	Mar	4.90	Mar	3.10	Mar	1.70	Mar	3.00	Mar	2.80		
Apr	3.90	Apr	3.80	Apr	4.90	Apr	2.40	Apr	2.30	Apr	2.20	Apr	2.60		
May	3.50	May	3.90	May	5.00	May	3.20	May	2.10	May	2.10	May	2.70		
Jun	2.60	Jun	3.70	Jun	4.70	Jun	3.00	Jun	2.00	Jun	2.10	Jun	2.70		
Jul	2.50	Jul	3.90	Jul	4.40	Jul	2.80	Jul	2.10	Jul	2.10	Jul	2.40		
Aug	2.60	Aug	4.30	Aug	3.80	Aug	2.60	Aug	2.30	Aug	2.20	Aug	2.00		
Sep	2.90	Sep	4.40	Sep	3.40	Sep	2.50	Sep	2.60	Sep	2.30	Sep	2.80		
Oct	2.90	Oct	4.50	Oct	2.90	Oct	2.80	Oct	2.60	Oct	2.00	Oct	3.50		
Nov	3.30	Nov	4.50	Nov	3.00	Nov	2.60	Nov	2.60	Nov	1.80	Nov	4.30		
Dec	3.80	Dec	4.40	Dec	3.10	Dec	2.50	Dec	2.70	Dec	1.90	Dec	4.10		

Source: U.S. Dept of Labor, Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers,
Change for 12-Month Period, Bureau of Labor Statistics,
http://www.bls.gov/schedule/archives/cpi_nr.htm

The Empire District Electric Company
Case No. ER-2010-0130

Rate of Inflation
1980 - 2009



The Empire District Electric Company
Case No. ER-2010-0130

Average Yields on Mergent's Public Utility Bonds

Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)
Jan 1980	12.12	Jan 1984	13.40	Jan 1988	10.75	Jan 1992	8.67	Jan 1996	7.20	Jan 2000	8.22	Jan 2004	6.23	Jan 2008	6.08
Feb	13.48	Feb	13.50	Feb	10.11	Feb	8.77	Feb	7.37	Feb	8.10	Feb	6.17	Feb	6.28
Mar	14.33	Mar	14.03	Mar	10.11	Mar	8.84	Mar	7.72	Mar	8.14	Mar	6.01	Mar	6.29
Apr	13.50	Apr	14.30	Apr	10.53	Apr	8.79	Apr	7.88	Apr	8.14	Apr	6.38	Apr	6.36
May	12.17	May	14.95	May	10.75	May	8.72	May	7.99	May	8.55	May	6.68	May	6.38
Jun	11.87	Jun	15.16	Jun	10.71	Jun	8.64	Jun	8.07	Jun	8.22	Jun	6.53	Jun	6.50
Jul	12.12	Jul	14.92	Jul	10.96	Jul	8.46	Jul	8.02	Jul	8.17	Jul	6.34	Jul	6.50
Aug	12.82	Aug	14.29	Aug	11.09	Aug	8.34	Aug	7.84	Aug	8.05	Aug	6.18	Aug	6.48
Sep	13.29	Sep	14.04	Sep	10.56	Sep	8.32	Sep	8.01	Sep	8.16	Sep	6.01	Sep	6.59
Oct	13.53	Oct	13.68	Oct	9.92	Oct	8.44	Oct	7.76	Oct	8.08	Oct	5.95	Oct	7.70
Nov	14.07	Nov	13.15	Nov	9.89	Nov	8.53	Nov	7.48	Nov	8.03	Nov	5.97	Nov	7.80
Dec	14.48	Dec	12.96	Dec	10.02	Dec	8.36	Dec	7.58	Dec	7.79	Dec	5.93	Dec	6.87
Jan 1981	14.22	Jan 1985	12.88	Jan 1989	10.02	Jan 1993	8.23	Jan 1997	7.79	Jan 2001	7.76	Jan 2005	5.80	Jan 2009	6.77
Feb	14.84	Feb	13.00	Feb	10.02	Feb	8.00	Feb	7.68	Feb	7.69	Feb	5.64	Feb	6.72
Mar	14.86	Mar	13.66	Mar	10.16	Mar	7.85	Mar	7.92	Mar	7.59	Mar	5.86	Mar	6.85
Apr	15.32	Apr	13.42	Apr	10.14	Apr	7.76	Apr	8.08	Apr	7.81	Apr	5.72	Apr	6.90
May	15.84	May	12.89	May	9.92	May	7.78	May	7.94	May	7.88	May	5.60	May	6.83
Jun	15.27	Jun	11.91	Jun	9.49	Jun	7.68	Jun	7.77	Jun	7.75	Jun	5.39	June	6.54
Jul	15.87	Jul	11.88	Jul	9.34	Jul	7.53	Jul	7.52	Jul	7.71	Jul	5.50	July	6.15
Aug	16.33	Aug	11.93	Aug	9.37	Aug	7.21	Aug	7.57	Aug	7.57	Aug	5.51	Aug	5.80
Sep	16.89	Sep	11.95	Sep	9.43	Sep	7.01	Sep	7.50	Sep	7.73	Sep	5.54	Sep	5.60
Oct	16.76	Oct	11.84	Oct	9.37	Oct	6.99	Oct	7.37	Oct	7.64	Oct	5.79	Oct	5.64
Nov	15.50	Nov	11.33	Nov	9.33	Nov	7.30	Nov	7.24	Nov	7.61	Nov	5.88	Nov	5.71
Dec	15.77	Dec	10.82	Dec	9.31	Dec	7.33	Dec	7.16	Dec	7.86	Dec	5.83	Dec	5.86
Jan 1982	16.73	Jan 1986	10.66	Jan 1990	9.44	Jan 1994	7.31	Jan 1998	7.03	Jan 2002	7.69	Jan 2006	5.77		
Feb	16.72	Feb	10.16	Feb	9.66	Feb	7.44	Feb	7.09	Feb	7.62	Feb	5.83		
Mar	16.07	Mar	9.33	Mar	9.75	Mar	7.83	Mar	7.13	Mar	7.83	Mar	5.98		
Apr	15.82	Apr	9.02	Apr	9.87	Apr	8.20	Apr	7.12	Apr	7.74	Apr	6.28		
May	15.60	May	9.52	May	9.89	May	8.32	May	7.11	May	7.76	May	6.39		
Jun	16.18	Jun	9.51	Jun	9.69	Jun	8.31	Jun	6.99	Jun	7.67	June	6.39		
Jul	16.04	Jul	9.19	Jul	9.66	Jul	8.47	Jul	6.99	Jul	7.54	July	6.37		
Aug	15.22	Aug	9.15	Aug	9.84	Aug	8.41	Aug	6.96	Aug	7.34	Aug	6.20		
Sep	14.56	Sep	9.42	Sep	10.01	Sep	8.65	Sep	6.88	Sep	7.23	Sep	6.03		
Oct	13.88	Oct	9.39	Oct	9.94	Oct	8.88	Oct	6.88	Oct	7.43	Oct	6.01		
Nov	13.58	Nov	9.15	Nov	9.76	Nov	9.00	Nov	6.96	Nov	7.31	Nov	5.82		
Dec	13.55	Dec	8.96	Dec	9.57	Dec	8.79	Dec	6.84	Dec	7.20	Dec	5.83		
Jan 1983	13.46	Jan 1987	8.77	Jan 1991	9.56	Jan 1995	8.77	Jan 1999	6.87	Jan 2003	7.13	Jan 2007	5.96		
Feb	13.60	Feb	8.81	Feb	9.31	Feb	8.56	Feb	7.00	Feb	6.92	Feb	5.91		
Mar	13.28	Mar	8.75	Mar	9.39	Mar	8.41	Mar	7.18	Mar	6.80	Mar	5.87		
Apr	13.03	Apr	9.30	Apr	9.30	Apr	8.30	Apr	7.16	Apr	6.68	Apr	6.01		
May	13.00	May	9.82	May	9.29	May	7.93	May	7.42	May	6.35	May	6.03		
Jun	13.17	Jun	9.87	Jun	9.44	Jun	7.62	Jun	7.70	Jun	6.21	June	6.34		
Jul	13.28	Jul	10.01	Jul	9.40	Jul	7.73	Jul	7.66	Jul	6.54	July	6.28		
Aug	13.50	Aug	10.33	Aug	9.16	Aug	7.86	Aug	7.86	Aug	6.78	Aug	6.28		
Sep	13.35	Sep	11.00	Sep	9.03	Sep	7.62	Sep	7.87	Sep	6.58	Sep	6.24		
Oct	13.19	Oct	11.32	Oct	8.99	Oct	7.46	Oct	8.02	Oct	6.50	Oct	6.17		
Nov	13.33	Nov	10.82	Nov	8.93	Nov	7.40	Nov	7.86	Nov	6.44	Nov	6.04		
Dec	13.48	Dec	10.99	Dec	8.76	Dec	7.21	Dec	8.04	Dec	6.36	Dec	6.23		

Source:
Mergent Bond Record

The Empire District Electric Company
Case No. ER-2010-0130

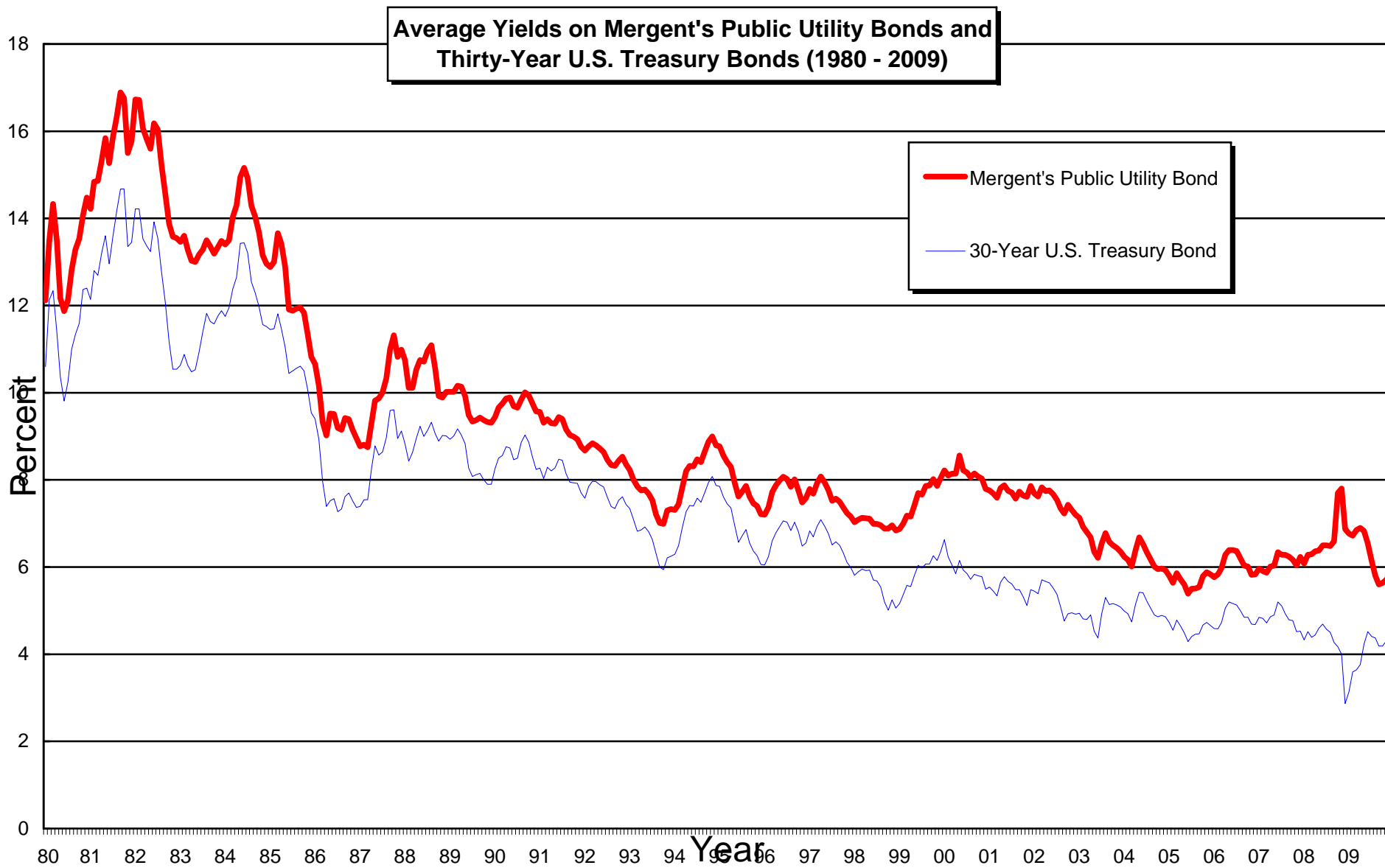
Average Yields on Thirty-Year U.S. Treasury Bonds

Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)
Jan 1980	10.60	Jan 1984	11.75	Jan 1988	8.83	Jan 1992	7.58	Jan 1996	6.05	Jan 2000	6.63	Jan 2004	4.99	Jan 2008	4.33
Feb	12.13	Feb	11.95	Feb	8.43	Feb	7.85	Feb	6.24	Feb	6.23	Feb	4.93	Feb	4.52
Mar	12.34	Mar	12.38	Mar	8.63	Mar	7.97	Mar	6.60	Mar	6.05	Mar	4.74	Mar	4.39
Apr	11.40	Apr	12.65	Apr	8.95	Apr	7.96	Apr	6.79	Apr	5.85	Apr	5.14	Apr	4.44
May	10.36	May	13.43	May	9.23	May	7.89	May	6.93	May	6.15	May	5.42	May	4.60
Jun	9.81	Jun	13.44	Jun	9.00	Jun	7.84	Jun	7.06	Jun	5.93	Jun	5.41	Jun	4.69
Jul	10.24	Jul	13.21	Jul	9.14	Jul	7.60	Jul	7.03	Jul	5.85	Jul	5.22	Jul	4.57
Aug	11.00	Aug	12.54	Aug	9.32	Aug	7.39	Aug	6.84	Aug	5.72	Aug	5.06	Aug	4.50
Sep	11.34	Sep	12.29	Sep	9.06	Sep	7.34	Sep	7.03	Sep	5.83	Sep	4.90	Sep	4.27
Oct	11.59	Oct	11.98	Oct	8.89	Oct	7.53	Oct	6.81	Oct	5.80	Oct	4.86	Oct	4.17
Nov	12.37	Nov	11.56	Nov	9.02	Nov	7.61	Nov	6.48	Nov	5.78	Nov	4.89	Nov	4.00
Dec	12.40	Dec	11.52	Dec	9.01	Dec	7.44	Dec	6.55	Dec	5.49	Dec	4.86	Dec	2.87
Jan 1981	12.14	Jan 1985	11.45	Jan 1989	8.93	Jan 1993	7.34	Jan 1997	6.83	Jan 2001	5.54	Jan 2005	4.73	Jan 2009	3.13
Feb	12.80	Feb	11.47	Feb	9.01	Feb	7.09	Feb	6.69	Feb	5.45	Feb	4.55	Feb	3.59
Mar	12.69	Mar	11.81	Mar	9.17	Mar	6.82	Mar	6.93	Mar	5.34	Mar	4.78	Mar	3.64
Apr	13.20	Apr	11.47	Apr	9.03	Apr	6.85	Apr	7.09	Apr	5.65	Apr	4.65	Apr	3.76
May	13.60	May	11.05	May	8.83	May	6.92	May	6.94	May	5.78	May	4.49	May	4.23
Jun	12.96	Jun	10.44	Jun	8.27	Jun	6.81	Jun	6.77	Jun	5.67	Jun	4.29	June	4.52
Jul	13.59	Jul	10.50	Jul	8.08	Jul	6.63	Jul	6.51	Jul	5.61	Jul	4.41	July	4.41
Aug	14.17	Aug	10.56	Aug	8.12	Aug	6.32	Aug	6.58	Aug	5.48	Aug	4.46	August	4.37
Sep	14.67	Sep	10.61	Sep	8.15	Sep	6.00	Sep	6.50	Sep	5.48	Sep	4.47	Sept	4.19
Oct	14.68	Oct	10.50	Oct	8.00	Oct	5.94	Oct	6.33	Oct	5.32	Oct	4.67	Oct	4.19
Nov	13.35	Nov	10.06	Nov	7.90	Nov	6.21	Nov	6.11	Nov	5.12	Nov	4.73	Nov	4.31
Dec	13.45	Dec	9.54	Dec	7.90	Dec	6.25	Dec	5.99	Dec	5.48	Dec	4.66	Dec	4.49
Jan 1982	14.22	Jan 1986	9.40	Jan 1990	8.26	Jan 1994	6.29	Jan 1998	5.81	Jan 2002	5.44	Jan 2006	4.59	Jan 2010	4.60
Feb	14.22	Feb	8.93	Feb	8.50	Feb	6.49	Feb	5.89	Feb	5.39	Feb	4.58		
Mar	13.53	Mar	7.96	Mar	8.56	Mar	6.91	Mar	5.95	Mar	5.71	Mar	4.73		
Apr	13.37	Apr	7.39	Apr	8.76	Apr	7.27	Apr	5.92	Apr	5.67	Apr	5.06		
May	13.24	May	7.52	May	8.73	May	7.41	May	5.93	May	5.64	May	5.20		
Jun	13.92	Jun	7.57	Jun	8.46	Jun	7.40	Jun	5.70	Jun	5.52	Jun	5.16		
Jul	13.55	Jul	7.27	Jul	8.50	Jul	7.58	Jul	5.68	Jul	5.38	July	5.13		
Aug	12.77	Aug	7.33	Aug	8.86	Aug	7.49	Aug	5.54	Aug	5.08	Aug	5.00		
Sep	12.07	Sep	7.62	Sep	9.03	Sep	7.71	Sep	5.20	Sep	4.76	Sep	4.85		
Oct	11.17	Oct	7.70	Oct	8.86	Oct	7.94	Oct	5.01	Oct	4.93	Oct	4.85		
Nov	10.54	Nov	7.52	Nov	8.54	Nov	8.08	Nov	5.25	Nov	4.95	Nov	4.69		
Dec	10.54	Dec	7.37	Dec	8.24	Dec	7.87	Dec	5.06	Dec	4.92	Dec	4.68		
Jan 1983	10.63	Jan 1987	7.39	Jan 1991	8.27	Jan 1995	7.85	Jan 1999	5.16	Jan 2003	4.94	Jan 2007	4.85		
Feb	10.88	Feb	7.54	Feb	8.03	Feb	7.61	Feb	5.37	Feb	4.81	Feb	4.82		
Mar	10.63	Mar	7.55	Mar	8.29	Mar	7.45	Mar	5.58	Mar	4.80	Mar	4.72		
Apr	10.48	Apr	8.25	Apr	8.21	Apr	7.36	Apr	5.55	Apr	4.90	Apr	4.86		
May	10.53	May	8.78	May	8.27	May	6.95	May	5.81	May	4.53	May	4.90		
Jun	10.93	Jun	8.57	Jun	8.47	Jun	6.57	Jun	6.04	Jun	4.37	Jun	5.20		
Jul	11.40	Jul	8.64	Jul	8.45	Jul	6.72	Jul	5.98	Jul	4.93	July	5.11		
Aug	11.82	Aug	8.97	Aug	8.14	Aug	6.86	Aug	6.07	Aug	5.30	Aug	4.93		
Sep	11.63	Sep	9.59	Sep	7.95	Sep	6.55	Sep	6.07	Sep	5.14	Sep	4.79		
Oct	11.58	Oct	9.61	Oct	7.93	Oct	6.37	Oct	6.26	Oct	5.16	Oct	4.77		
Nov	11.75	Nov	8.95	Nov	7.92	Nov	6.26	Nov	6.15	Nov	5.13	Nov	4.52		
Dec	11.88	Dec	9.12	Dec	7.70	Dec	6.06	Dec	6.35	Dec	5.08	Dec	4.53		

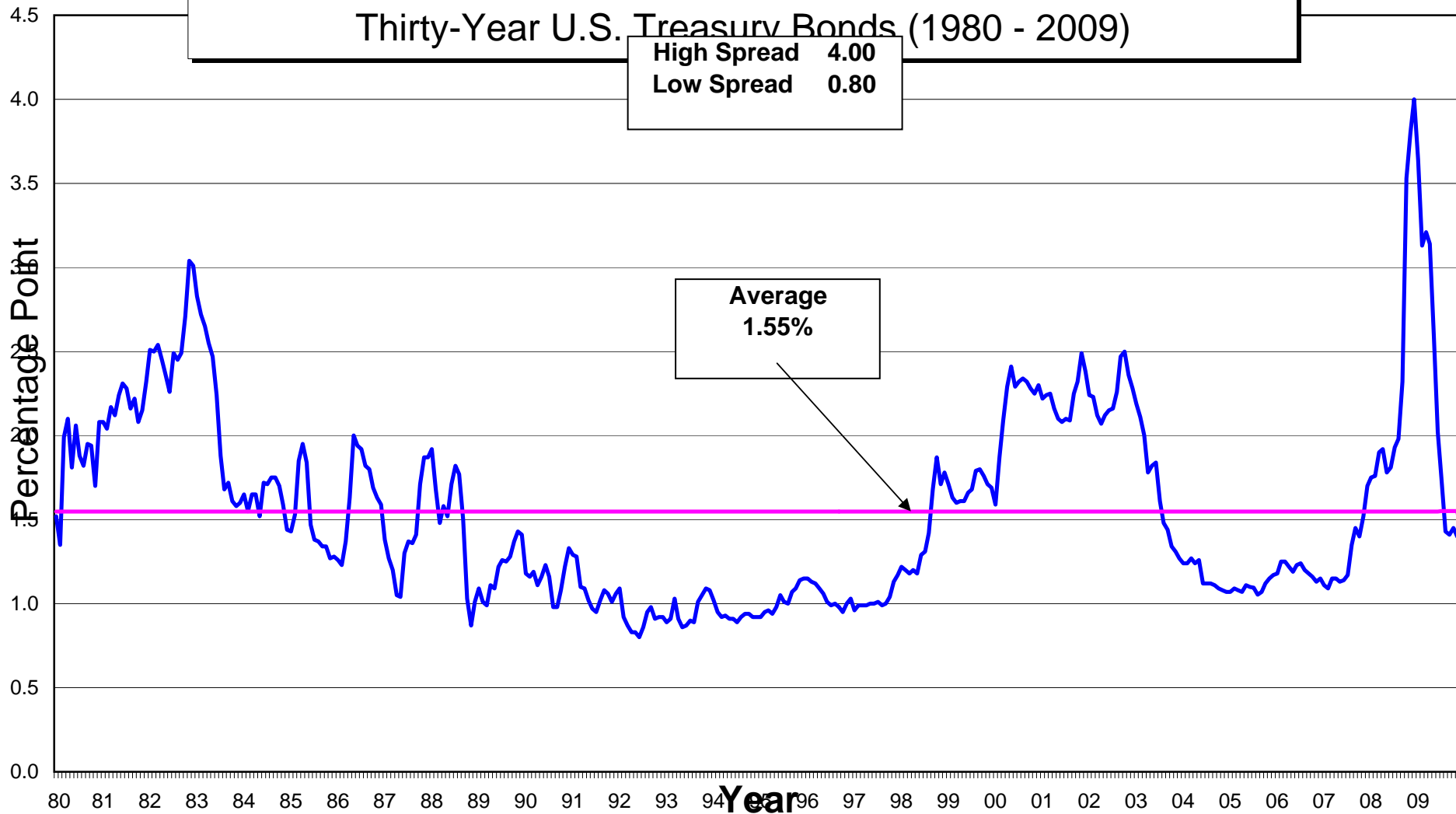
Sources:

<http://finance.yahoo.com/q/hp?s=^TYX>
<http://research.stlouisfed.org/fred2/data/GS30.txt>

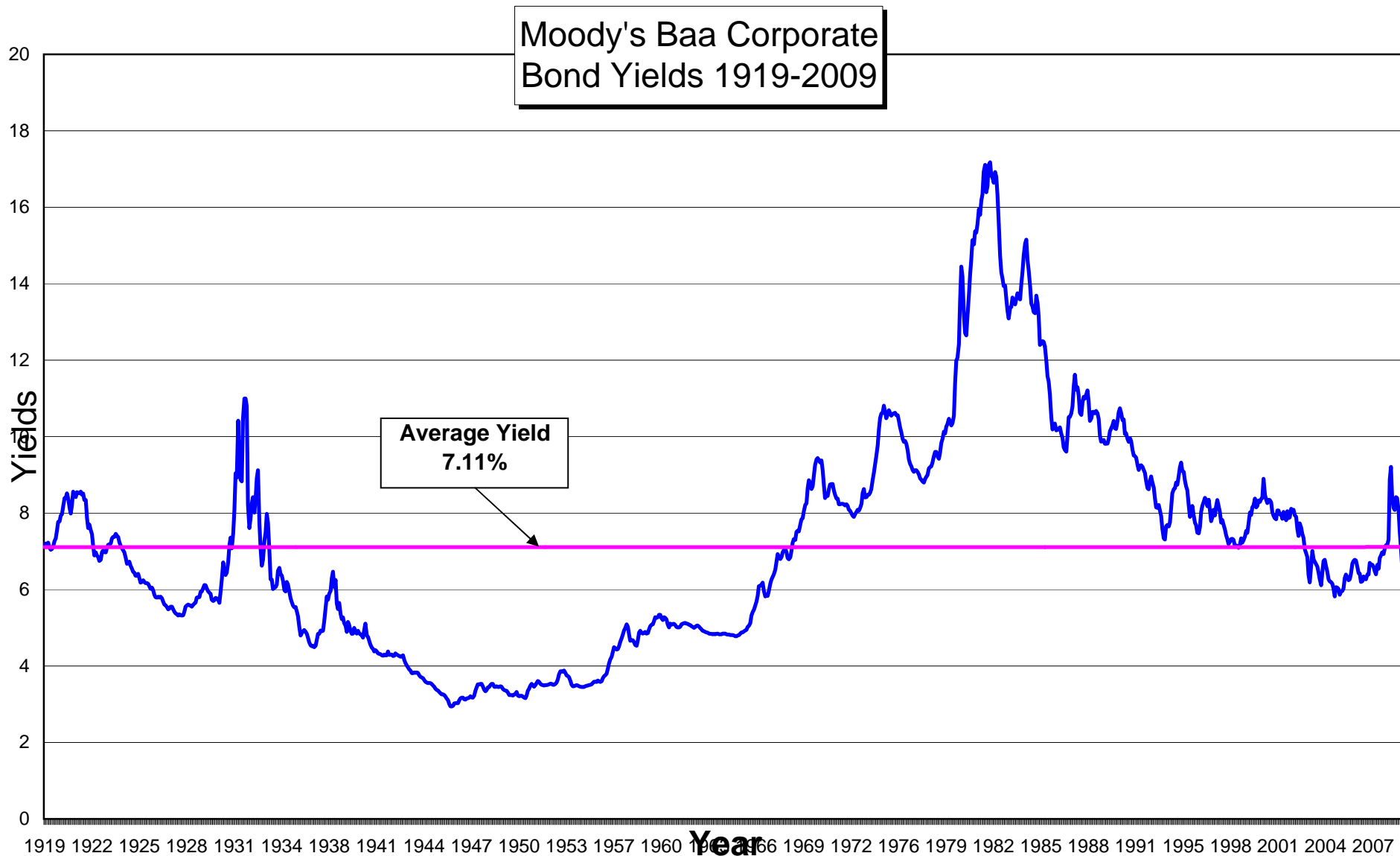
The Empire District Electric Company
Case No. ER-2010-0130



Monthly Spreads Between Yields on Mergent's Public Utility Bonds
and
Thirty-Year U.S. Treasury Bonds (1980 - 2009)



The Empire District Electric Company
Case No. ER-2010-0130



**The Empire District Electric Company
Case No. ER-2010-0130**

Economic Estimates and Projections, 2010-2012

Source	Inflation Rate			Real GDP			Unemployment			3-Mo. T-Bill Rate			Long-Term T-Bond Rate		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Value Line Investment Survey -- Selection & Opinion (11-27-09, page 3183)	1.80%	2.50%	2.80%	2.20%	3.10%	3.20%	10.10%	9.00%	8.40%	0.60%	2.00%	3.00%	4.50%	5.00%	5.10%
The Budget and Economic Outlook FY2010-2020 (January 2010)	2.40%	1.30%	1.20%	2.20%	1.90%	4.60%	10.10%	9.50%	8.00%	0.20%	0.70%	1.90%	N/A	N/A	N/A
Current rate	2.70%			5.70%			9.70%			0.11%			4.62%		

Notes: N/A = Not Available.
Value Line data for 2010-2012 are estimated.

Sources of Current Rates:

- Inflation: The Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, unadjusted 12-Month Period Ending, December 31, 2009 (see first paragraph).
http://www.bls.gov/schedule/archives/cpi_nr.htm
- GDP: U.S. Department of Commerce, Bureau of Economic Analysis. Percentage change for the Fourth Quarter 2009 (see first paragraph).
<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>
- Unemployment: The Bureau of Labor Statistics, Economy Situation Summary - Unemployment Rate, January 2010.
<http://www.bls.gov/news.release/empsit.nr0.htm>
- 3-Month Treasury: St. Louis Federal Reserve website for February 12, 2010 (Weekly).
<http://research.stlouisfed.org/fred2/series/TB3MS/22>
- 30-Yr. T-Bond: St. Louis Federal Reserve website for February 12, 2010 (Weekly).
<http://research.stlouisfed.org/fred2/series/WGS30YR>
- Other Sources: ValueLine Investment Survey Selection & Opinion, November 27, 2009, page 3183.
The Congressional Budget Office, The Budget and Economic Outlook: Fiscal Years 2010-2020, January 2010.
<http://www.cbo.gov/publications/bysubject.cfm?cat=0>

**The Empire District Electric Company
Case No. ER-2010-0130**

Historical Consolidated Capital Structures for The Empire District Electric Company

<u>Capital Components</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>5-Year Average</u>
Common Equity	\$393,411,000.0	\$468,609,000.0	\$539,176,000.0	\$528,872,000.0	\$600,149,912.4	\$467,065,333.3
Preferred Stock	0.0	0.0	0.0	0.0	0.0	\$0.0
Long-Term Debt	408,173,000.0 *	462,539,000.0 *	541,880,000.0 *	611,567,000.0 *	640,156,403.3 *	\$470,864,000.0
Short-Term Debt	<u>30,952,000.0</u>	<u>77,050,000.0</u>	<u>33,040,000.0</u>	<u>102,000,000.0</u>	<u>50,500,000.0</u>	<u>\$47,014,000.0</u>
Total	<u><u>\$832,536,000.0</u></u>	<u><u>\$1,008,198,000.0</u></u>	<u><u>\$1,114,096,000.0</u></u>	<u><u>\$1,242,439,000.0</u></u>	<u><u>\$1,290,806,315.7</u></u>	<u><u>\$984,943,333.3</u></u>

<u>Capital Components</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>5-Year Average</u>
Common Equity	47.25%	46.48%	48.40%	42.57%	46.49%	46.24%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long-Term Debt	49.03%	45.88%	48.64%	49.22%	49.59%	48.47%
Short-Term Debt	<u>3.72%</u>	<u>7.64%</u>	<u>2.97%</u>	<u>8.21%</u>	<u>3.91%</u>	<u>5.29%</u>
Total	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

Source: Empire District Electric Company's 2005, 2006, 2007, 2008 Annual Reports and Response to Staff DR No. 0201.1

Note: * The amount of long-term debt includes current maturities, capital leases, and \$50 million of trust preferred stock.

**The Empire District Electric Company
Case No. ER-2010-0130**

**Capital Structure as of December 31, 2009
The Empire District Electric Company**

<u>Capital Component</u>	<u>Dollar Amount (000's)</u>	<u>Percentage of Capital</u>
Common Stock Equity	\$ 600,149,912	47.38%
Preferred Stock	\$ 48,638,468	3.84%
Long-Term Debt	\$ 618,007,745	48.79%
Short-Term Debt	\$ -	0.00%
Total Capitalization	\$ 1,266,796,125	100.00%

Notes: 1. Short-term debt balance net of construction work in progress (CWIP) was negative as of December 31, 2009. Therefore, no short-term debt is included in the capital structure.

Source: Responses to Staff DR Nos. 0009 and 0201.1

**The Empire District Electric Company
Case No. ER-2010-0130**

**Embedded Cost of Long-Term Debt
as of December 31, 2009**

	<u>Amount Outstanding</u>	<u>Annual Cost</u>
Bonds and Unsecured Notes Series:		
7.2% Series, Due 2016	\$25,000,000	\$1,800,000
5.2% Pollution Control Series, Due 2013	\$5,200,000	\$270,400
5.3% Pollution Control Series, Due 2013	\$8,000,000	\$424,000
7.05% Sr. Notes, Series, Due 2022	\$48,522,000	\$3,420,801
6.7% Sr. Notes, Series, Due 2033	\$62,000,000	\$4,154,000
5.8% Sr. Notes, Series, Due 7/1/2035	\$40,000,000	\$2,320,000
6-1/2 Series, Due 2010	\$50,000,000	\$3,250,000
4.5% Sr. Notes, Series, Due 2013	\$98,000,000	\$4,410,000
5.875%, Due 2037	\$80,000,000	\$4,700,000
6.82% Series, Due 6/1/2036-EDG	\$55,000,000	\$3,751,000
FMB 6.375% Series, Due 6/1/2018	\$90,000,000	\$5,737,500
7.0% Series, Due 2/28/2024	\$74,975,000	\$5,248,250
Premium, Discount and Expense	<u>-\$18,689,255</u>	<u>\$2,255,416</u>
Total	<u>\$618,007,745</u>	<u>\$41,741,367</u>

Embedded Cost of Long-term Debt

6.75%

Source: Response to DR No. 0201.1

**The Empire District Electric Company
Case No. ER-2010-0130**

**Embedded Cost of Trust Preferred Stock
as of December 31, 2009**

	<u>Amount Outstanding</u>	<u>Annual Cost</u>
Trust Preferred Series:		
Trust Preferred	\$50,000,000	\$4,250,000
Premium, Discount and Expense	<u>-\$1,361,532</u>	<u>\$62,840</u>
Total	<u>\$48,638,468</u>	<u>\$4,312,840</u>

Embedded Cost of Preferred Stock

8.87%

Source: Response to DR No. 0201

**Empire District Electric Company
Case No. ER-2010-0130**

Criteria for Selecting Comparable Electric Utility Companies

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
ValueLine Electric Utility Companies	Ticker	Stock Publicly Traded	Regulated Electric Utility (EEI)	% Electric Revenues ≥ 70%	10-Year Value Line Historical Growth Available	No Reduced Dividend since 2006	Projected Growth Available from Value Line and Reuters	At Least Investment Grade Credit Rating	Generation Assets	Comparable Company Met All Criteria
Allegheny Energy	AYE	Yes	No							
ALLETE	ALE	Yes	Yes	Yes	No					
Alliant Energy	LNT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Amer. Elec. Power	AEP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Ameren Corp.	AEE	Yes	Yes	Yes	Yes	No				
Avista Corp.	AVA	Yes	Yes	No						
Black Hills	BKH	Yes	No							
Gen. Vermont Pub. Serv.	CV	Yes	Yes	Yes	Yes	Yes	No			
CenterPoint Energy	CNP	Yes	No							
CH Energy Group	CHG	Yes	Yes	No						
Cleco Corp.	CNL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
CMS Energy Corp.	CMS	Yes	Yes	No						
Consol. Edison	ED	Yes	Yes	No						
Constellation Energy	CEG	Yes	No							
Dominion Resources	D	Yes	No							
DPL Inc.	DPL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
DTE Energy	DTE	Yes	No							
Duke Energy	DUK	Yes	No							
Edison Int'l	EIX	Yes	No							
EI Paso Electric	EE	Yes	Yes	Yes	Yes	No ¹				
Empire Dist. Elec.	EDE	Yes	Yes	Yes	Yes	Yes	No			
Entergy Corp.	ETR	Yes	No							
Evergreen Energy Inc	EEE	Yes	NA							
Exelon Corp.	EXC	Yes	No							
FirstEnergy Corp.	FE	Yes	No							
Florida Public Utilities	FPU	Yes	NA							
Fortis Inc.	FTS.TO	Yes	NA							
FPL Group	FPL	Yes	No							
Gt Plains Energy	GXP	Yes	Yes	Yes	Yes	No				
Hawaiian Elec.	HE	Yes	No							
IDACORP, Inc.	IDA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Integrus Energy	TEG	Yes	No							
ITC Holdings	ITC	Yes	NA							
Maine & Maritimes Corp	MAM	Yes	Yes	Yes	Yes	No				
MDU Resources	MDU	Yes	No							
MGE Energy	MGEE	Yes	No							
NiSource Inc.	NI	Yes	No							
Northeast Utilities	NU	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
NorthWestern Corp	NWE	Yes	Yes	No						
NSTAR	NST	Yes	Yes	Yes	Yes	No				
OGE Energy	OGE	Yes	No							
Otter Tail Corp.	OTTR	Yes	No							
Pepco Holdings	POM	Yes	No							
PG&E Corp.	PCG	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Pinnacle West Capital	PNW	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
PNM Resources	PNM	Yes	Yes	Yes	Yes	No				
Portland General	POR	Yes	Yes	Yes	No					
PPL Corp.	PPL	Yes	No							
Progress Energy	PGN	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Public Serv. Enterprise	PEG	Yes	No							
SCANA Corp.	SCG	Yes	No							
Sempra Energy	SRE	Yes	No							
Sierra Pacific Res.	SRP	Yes	NA							
Southern Co.	SO	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
TECO Energy	TE	Yes	Yes	No						
U.S. Energy Sys Inc	USEYQ	Yes	NA							
UIL Holdings	UIL	Yes	Yes	Yes	Yes	Yes	Yes	No		
UniSource Energy	UNS	Yes	Yes	Yes	Yes	Yes	No			
UNITIL Corp.	UTL	Yes	Yes	No						
Vectren Corp.	VVC	Yes	Yes	No						
Westar Energy	WR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Wilmington Capital Management	WCM/A.TO	Yes	NA							
Wisconsin Energy	WEC	Yes	Yes	No						
Xcel Energy Inc.	XEL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

Sources: Columns 1, 2, 5, 6, 7 and 9 = The Value Line Investment Survey: Ratings & Reports
Column 3 = Edison Electric Institute 2008 Financial Review
Column 4 = January 2010 AUS Utility Reports.
Column 7 = Reuters.com.
Column 8 = S&P RatingsDirect

Notes:
1. No dividends per share.

NA = Not available.

**The Empire District Electric Company
Case No. ER-2010-0130**

**Comparable Electrical Utility Companies
for The Empire District Electric Company**

<u>Number</u>	<u>Ticker Symbol</u>	<u>Company Name</u>
1	LNT	Alliant Energy
2	AEP	American Electric Power
3	CNL	Cleco Corp.
4	DPL	DPL Inc.
5	IDA	IDACORP, Inc.
6	NU	Northeast Utilities
7	PCG	PG&E Corp.
8	PNW	Pinnacle West Capital
9	PGN	Progress Energy
10	SO	Southern Company
11	WR	Westar Energy
12	XEL	Xcel Energy

**The Empire District Electric Company
Case No. ER-2010-0130**

**Ten-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates
for the Comparable Electric Utility Companies and The Empire District Electric Company**

<u>Company Name</u>	----- 10-Year Annual Compound Growth Rates -----			Average of 10 Year Annual Compound Growth Rates
	<u>DPS</u>	<u>EPS</u>	<u>BVPS</u>	
Alliant Energy	-4.50%	3.00%	2.00%	0.17%
American Electric Power	-4.00%	-0.50%	0.00%	-1.50%
Cleco Corp.	1.50%	3.00%	6.50%	3.67%
DPL Inc.	1.50%	3.50%	-1.00%	1.33%
IDACORP, Inc.	-4.50%	-1.00%	3.50%	-0.67%
Northeast Utilities	3.50%	0.00%	1.00%	1.50%
PG&E Corp.	0.50%	4.50%	1.50%	2.17%
Pinnacle West Capital	6.50%	0.00%	3.50%	3.33%
Progress Energy	2.50%	-0.50%	5.50%	2.50%
Southern Company	2.00%	3.00%	1.50%	2.17%
Westar Energy Inc.	-6.50%	1.50%	-4.00%	-3.00%
Xcel Energy	-4.00%	-2.50%	-0.50%	-2.33%
Average	<u>-0.46%</u>	<u>1.17%</u>	<u>1.63%</u>	<u>0.78%</u>
Standard Deviation	3.89%	2.10%	2.77%	1.99%
Empire District Electric	0.00%	-1.00%	2.00%	0.33%

Source: The Value Line Investment Survey, November 27 and December 25, 2009 and February 5, 2010.

**The Empire District Electric Company
Case No. ER-2010-0130**

**Five-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates
for the Comparable Electric Utility Companies and The Empire District Electric Company**

----- 5-Year Annual Compound Growth Rates -----				
Company Name	DPS	EPS	BVPS	Average of 5 Year Annual Compound Growth Rates
Alliant Energy	-5.00%	7.00%	3.00%	1.67%
American Electric Power	-6.00%	0.00%	2.50%	-1.17%
Cleco Corp.	0.50%	0.50%	9.00%	3.33%
DPL Inc.	2.00%	7.00%	2.50%	3.83%
IDACORP, Inc.	-8.00%	1.50%	3.00%	-1.17%
Northeast Utilities	8.50%	3.00%	2.00%	4.50%
PG&E Corp.	0.00%	NMF	18.00%	9.00%
Pinnacle West Capital	5.00%	-1.00%	3.00%	2.33%
Progress Energy	2.00%	-6.50%	2.50%	-0.67%
Southern Company	3.00%	4.00%	5.50%	4.17%
Westar Energy Inc.	-0.50%	21.50%	1.00%	7.33%
Xcel Energy	-4.00%	1.00%	1.00%	-0.67%
Average	-0.21%	3.45%	4.42%	2.71%
Standard Deviation	4.61%	6.75%	4.59%	3.19%
Empire District Electric	0.00%	3.50%	1.50%	1.67%

Source: The Value Line Investment Survey, November 27 and December 25, 2009 and February 5, 2010.

**The Empire District Electric Company
Case No. ER-2010-0130**

**Average of Ten- and Five-Year Dividends Per Share, Earnings Per Share &
Book Value Per Share Growth Rates for the Comparable Electric Utility Companies
and The Empire District Electric Company**

<u>Company Name</u>	<u>10-Year Average DPS, EPS & BVPS</u>	<u>5-Year Average DPS, EPS & BVPS</u>	<u>Average of 5-Year & 10-Year Averages</u>
Alliant Energy	0.17%	1.67%	0.92%
American Electric Power	-1.50%	-1.17%	-1.33%
Cleco Corp.	3.67%	3.33%	3.50%
DPL Inc.	1.33%	3.83%	2.58%
IDACORP, Inc.	-0.67%	-1.17%	-0.92%
Northeast Utilities	1.50%	4.50%	3.00%
PG&E Corp.	2.17%	9.00%	5.58%
Pinnacle West Capital	3.33%	2.33%	2.83%
Progress Energy	2.50%	-0.67%	0.92%
Southern Company	2.17%	4.17%	3.17%
Westar Energy Inc.	-3.00%	7.33%	2.17%
Xcel Energy	-2.33%	-0.67%	-1.50%
Average	<u>0.78%</u>	<u>2.71%</u>	<u>1.74%</u>
Empire District Electric	0.33%	1.67%	1.00%

**The Empire District Electric Company
Case No. ER-2010-0130**

**Five-Year Projected Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates
for the Comparable Electric Utility Companies and Empire District Electric**

----- 5-Year Projected Compound Growth Rates -----				
Company Name	DPS	EPS	BVPS	Average of 5 Year Annual Compound Growth Rates
Alliant Energy	7.00%	4.00%	4.00%	5.00%
American Electric Power	3.00%	3.00%	5.00%	3.67%
Cleco Corp.	10.00%	9.50%	4.50%	8.00%
DPL Inc.	3.50%	9.00%	5.50%	6.00%
IDACORP, Inc.	2.50%	4.50%	5.00%	4.00%
Northeast Utilities	7.00%	8.00%	4.50%	6.50%
PG&E Corp.	7.50%	6.50%	6.50%	6.83%
Pinnacle West Capital	1.00%	3.00%	1.00%	1.67%
Progress Energy	1.00%	6.00%	2.00%	3.00%
Southern Company	4.00%	4.50%	5.00%	4.50%
Westar Energy Inc.	4.50%	4.00%	6.00%	4.83%
Xcel Energy	3.00%	6.50%	4.50%	4.67%
Average	4.50%	5.71%	4.46%	4.89%
Standard Deviation	2.68%	2.15%	1.49%	1.68%
Empire District Electric	1.00%	6.00%	1.50%	2.83%

Source: The Value Line Investment Survey, November 27 and December 25, 2009 and February 5, 2010.

**The Empire District Electric Company
Case No. ER-2010-0130**

**Projected EPS Growth Rates
for the Comparable Electric Utility Companies
and The Empire District Electric Company**

	(1)	(2)	(3)
Company Name	Projected 5-Year EPS Growth Reuters (Mean)	Projected 3-5 Year EPS Growth Value Line	Average Projected EPS Growth Growth
Alliant Energy	4.93%	4.00%	4.47%
American Electric Power	4.67%	3.00%	3.84%
Cleco Corp.	9.00%	9.50%	9.25%
DPL Inc.	11.70%	9.00%	10.35%
IDACORP, Inc.	5.00%	4.50%	4.75%
Northeast Utilities	8.02%	8.00%	8.01%
PG&E Corp.	6.93%	6.50%	6.72%
Pinnacle West Capital	4.40%	3.00%	3.70%
Progress Energy	3.88%	6.00%	4.94%
Southern Company	4.91%	4.50%	4.71%
Westar Energy	4.00%	4.00%	4.00%
Xcel Energy	6.14%	6.50%	6.32%
Average	6.13%	5.71%	5.92%
Standard Deviation	2.28%	2.15%	2.14%
Empire District Electric	--	6.00%	6.00%

Sources:

Column 1 = Analyst Estimates Accessed from Reuters on February 18, 2010.

Column 2 = The Value Line Investment Survey, November 27 and December 25, 2009 and February 5, 2010.

**The Empire District Electric Company
Case No. ER-2010-0130**

**Historical and Projected Growth Rates
for the Comparable Electric Utility Companies
and Empire District Electric**

	(1)	(2)	(3)	(4)	(5)
	Historical Growth Rate (DPS, EPS and BVPS)	Projected 5-Year EPS Growth Consensus Estimates (Mean)	Projected 3-5 Year EPS Growth Value Line	Average Projected EPS Growth	Average of Historical & Projected Growth
Company Name					
Alliant Energy	0.92%	4.93%	4.00%	4.47%	2.69%
American Electric Power	-1.33%	4.67%	3.00%	3.84%	1.25%
Cleco Corp.	3.50%	9.00%	9.50%	9.25%	6.38%
DPL Inc.	2.58%	11.70%	9.00%	10.35%	6.47%
IDACORP, Inc.	-0.92%	5.00%	4.50%	4.75%	1.92%
Northeast Utilities	3.00%	8.02%	8.00%	8.01%	5.51%
PG&E Corp.	5.58%	6.93%	6.50%	6.72%	6.15%
Pinnacle West Capital	2.83%	4.40%	3.00%	3.70%	3.27%
Progress Energy	0.92%	3.88%	6.00%	4.94%	2.93%
Southern Company	3.17%	4.91%	4.50%	4.71%	3.94%
Westar Energy	2.17%	4.00%	4.00%	4.00%	3.08%
Xcel Energy	-1.50%	6.14%	6.50%	6.32%	2.41%
Average	1.74%	6.13%	5.71%	5.92%	3.83%
Empire District Electric	1.00%	--	6.00%	6.00%	3.50%

Proposed Range of Growth for Comparables:

4.00%-5.00%

Sources:

Column 4 = [(Column 2 + Column 3) / 2]

Column 5 = [(Column 1 + Column 4) / 2]

Column 1 = Average of 10-Year and 5-Year Annual Compound Growth Rates from Schedule 12-3.

Column 2 = <http://www.reuters.com/finance/stocks/estimates>

Column 3 = The Value Line Investment Survey, and November 27 and December 25, 2009 and February 5, 2010.

**The Empire District Electric Company
Case No. ER-2010-0130**

**Average High / Low Stock Price for November 2009 through January 2010
for the Comparable Electric Utility Companies and The Empire District Electric Company**

Company Name	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	-- November 2009 --		-- December 2009 --		-- January 2010 --		Average High/Low Stock Price (11/09 - 1/10)
	High Stock Price	Low Stock Price	High Stock Price	Low Stock Price	High Stock Price	Low Stock Price	
Alliant Energy	28.07	26.08	31.53	27.54	33.32	30.24	29.46
American Electric Power	32.31	30.23	36.51	32.25	36.86	34.36	33.75
Cleco Corp.	26.26	24.03	28.14	25.53	27.67	25.65	26.21
DPL Inc.	27.86	25.35	28.86	27.00	28.50	26.81	27.40
IDACORP, Inc.	30.28	27.71	32.83	29.75	33.32	31.21	30.85
Northeast Utilities	24.60	22.20	26.48	24.16	26.62	25.10	24.86
PG&E Corp.	43.00	40.40	45.79	42.56	45.63	42.18	43.26
Pinnacle West Capital	35.48	31.08	37.96	35.10	37.81	35.62	35.51
Progress Energy	39.38	36.91	42.20	39.01	41.35	38.32	39.53
Southern Company	32.36	30.89	34.47	32.15	33.73	31.85	32.58
Westar Energy	20.93	18.91	22.30	20.58	22.78	21.06	21.09
Xcel Energy	20.61	18.53	21.94	20.30	21.76	20.41	20.59
Empire District Electric	18.77	17.78	19.36	18.18	19.30	18.26	18.61

Notes:

Column 7 = [(Column 1 + Column 2 + Column 3 + Column 4 + Column 5 + Column 6 / 6].

Source: <http://finance.yahoo.com>

**The Empire District Electric Company
Case No. ER-2010-0130**

**Constant-Growth Discounted Cash Flow (DCF) Estimated Costs of Common Equity
for the Comparable Electric Utility Companies and
The Empire District Electric Company**

Company Name	(1) Expected Annual Dividend	(2) Average High/Low Stock Price	(3) Projected Dividend Yield	(4) Average of Historical & Projected Growth	(5) Estimated Cost of Common Equity
Alliant Energy	\$1.60	\$29.463	5.43%	2.69%	8.12%
American Electric Power	\$1.66	\$33.753	4.92%	1.25%	6.17%
Cleco Corp.	\$1.00	\$26.213	3.81%	6.38%	10.19%
DPL Inc.	\$1.18	\$27.397	4.31%	6.47%	10.77%
IDACORP, Inc.	\$1.20	\$30.850	3.89%	1.92%	5.81%
Northeast Utilities	\$1.00	\$24.860	4.02%	5.51%	9.53%
PG&E Corp.	\$1.80	\$43.260	4.16%	6.15%	10.31%
Pinnacle West Capital	\$2.10	\$35.508	5.91%	3.27%	9.18%
Progress Energy	\$2.50	\$39.528	6.32%	2.93%	9.25%
Southern Company	\$1.80	\$32.575	5.53%	3.94%	9.46%
Westar Energy	\$1.24	\$21.093	5.88%	3.08%	8.96%
Xcel Energy	\$1.00	\$20.592	4.86%	2.41%	7.27%
Average			<u>4.92%</u>	<u>3.83%</u>	<u>8.75%</u>
Empire District Electric	\$1.28	\$18.608	6.88%	3.50%	10.38%
			Proposed Dividend Yield:		4.92%
			Proposed Range of Growth:		<u>4.00% - 5.00%</u>
			Indicated Cost of Common Equity:		8.92%-9.92%
			Empire District Electric Company-Specific Using Value Line EPS Projected Growth		12.88%

Notes:

Column 1 = Estimated Dividend Declared per share represents the projected dividend for 2010.

Column 3 = (Column 1 / Column 2).

Column 5 = (Column 3 + Column 4).

Sources:

Column 1 = The Value Line Investment Survey: Ratings and Reports, November 27 and December 25, 2009 and February 5, 2010.

Column 2 = Schedule 16.

Column 4 = Schedule 15.

**Empire District Electric Company
Case No. ER-2010-0130**

**Capital Asset Pricing Model (CAPM) Costs of Common Equity Estimates
Based on Historical Return Differences Between Common Stocks and Long-Term U.S. Treasuries
for the Comparable Electric Utility Companies and Ameren**

	(1)	(2)	(3)	(4)	(5)	(6)
			Arithmetic Average Market Risk Premium (1926-2008)	Geometric Average Market Risk Premium (1926-2008)	Arithmetic CAPM Cost of Common Equity (1926-2008)	Geometric CAPM Cost of Common Equity (1926-2008)
Company Name	Risk Free Rate	Company's Value Line Beta				
Alliant Energy	4.47%	0.70	5.60%	3.90%	8.39%	7.20%
American Electric Power	4.47%	0.70	5.60%	3.90%	8.39%	7.20%
Cleco Corp.	4.47%	0.65	5.60%	3.90%	8.11%	7.00%
DPL Inc.	4.47%	0.60	5.60%	3.90%	7.83%	6.81%
IDACORP, Inc.	4.47%	0.70	5.60%	3.90%	8.39%	7.20%
Northeast Utilities	4.47%	0.70	5.60%	3.90%	8.39%	7.20%
PG&E Corp.	4.47%	0.55	5.60%	3.90%	7.55%	6.61%
Pinnacle West Capital	4.47%	0.75	5.60%	3.90%	8.67%	7.39%
Progress Energy	4.47%	0.65	5.60%	3.90%	8.11%	7.00%
Southern Company	4.47%	0.55	5.60%	3.90%	7.55%	6.61%
Westar Energy	4.47%	0.75	5.60%	3.90%	8.67%	7.39%
Xcel Energy	4.47%	0.65	5.60%	3.90%	8.11%	7.00%
Average		0.66			8.18%	7.05%
Empire District Electric	4.47%	0.75	5.60%	3.90%	8.67%	7.39%

Column 1 = The appropriate yield is equal to the average 30-year U.S. Treasury Bond yield for November and December 2009 and January 2010 which was obtained from the St. Louis Federal Reserve website at <http://research.stlouisfed.org/fred2/series/GS30/22>.

Column 2 = Beta is a measure of the movement and relative risk of an individual stock to the market as a whole as reported by the Value Line Investment Survey: Ratings & Reports, November 27 and December 25, 2009 and February 5, 2010.

Column 3 = The Market Risk Premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk free investment. The appropriate Market Risk Premium for the period 1926 - 2008 was determined to be 5.60% based on an arithmetic average as calculated in Ibbotson Associates, Inc.'s Stocks, Bonds, Bills, and Inflation: 2009 Yearbook.

Column 4 = The Market Risk Premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk free investment. The appropriate Market Risk Premium for the period 1926 - 2008 was determined to be 3.9% based on a geometric average as calculated in Ibbotson Associates, Inc.'s Stocks, Bonds, Bills, and Inflation: 2009 Yearbook.

Column 5 = (Column 1 + (Column 2 * Column 3))

Column 6 = (Column 1 + (Column 2 * Column 4))

**The Empire District Electric Company
Case No. ER-2010-0130**

**Multiple-Stage Discounted Cash Flow (DCF) Estimated Costs of Common Equity
for the Comparable Electric Utility Companies and The Empire District Electric Company**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Company Name	Annualized Quarterly Dividend	Growth Years 1-5	6	7	Growth Years 8	9	10	Growth in Perpetuity	Cost of Equity
Alliant Energy	\$1.50	4.47%	4.28%	4.09%	3.91%	3.72%	3.54%	3.35%	8.98%
American Electric Power	\$1.64	3.84%	3.75%	3.67%	3.59%	3.51%	3.43%	3.35%	8.52%
Cleco Corp.	\$0.90	9.25%	8.27%	7.28%	6.30%	5.32%	4.33%	3.35%	8.45%
DPL Inc.	\$1.14	10.35%	9.18%	8.02%	6.85%	5.68%	4.52%	3.35%	9.85%
IDACORP, Inc.	\$1.20	4.75%	4.52%	4.28%	4.05%	3.82%	3.58%	3.35%	7.74%
Northeast Utilities	\$0.95	8.01%	7.23%	6.46%	5.68%	4.90%	4.13%	3.35%	8.60%
PG&E Corp.	\$1.68	6.72%	6.15%	5.59%	5.03%	4.47%	3.91%	3.35%	8.29%
Pinnacle West Capital	\$2.10	3.70%	3.64%	3.58%	3.53%	3.47%	3.41%	3.35%	9.59%
Progress Energy	\$2.48	4.94%	4.68%	4.41%	4.15%	3.88%	3.62%	3.35%	10.47%
Southern Company	\$1.75	4.71%	4.48%	4.25%	4.03%	3.80%	3.58%	3.35%	9.37%
Westar Energy	\$1.20	4.00%	3.89%	3.78%	3.68%	3.57%	3.46%	3.35%	9.46%
Xcel Energy	\$0.98	6.32%	5.83%	5.33%	4.84%	4.34%	3.85%	3.35%	9.23%
								Average:	9.05%
									Proposed Range: 8.55% - 9.55%
Empire District Electric	\$1.28	6.00%	5.56%	5.12%	4.68%	4.23%	3.79%	3.35%	11.48%

Sources: Column 1 = The Value Line Investment Survey: Ratings and Reports, November 27 and December 25, 2009 and February 5, 2010.

Column 2 = Average Projected Growth from Brokers' Estimates and Value Line Estimates. For Empire District Electric the only projected growth rate available was the Value Line Estimate.

**The Empire District Electric Company
Case No. ER-2010-0130**

**Selected Financial Ratios for the Comparable Electric Utility Companies
and The Empire District Electric Company**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Company Name	Estimated 2009 Common Equity Ratio	Estimated 2009 Long-Term Debt Ratio	2008 Funds From Operations Interest Coverage	2008 Funds From Operations to Total Debt	Market- to-Book Value	Estimated 2009 Return on Common Equity	2010 Projected Return on Common Equity	S&P Corporate Credit Rating
Alliant Energy	55.50%	40.00%	4.60 x	20.0%	1.20 x	7.0%	8.0%	BBB+
American Electric Power	46.50%	53.50%	3.10 x	13.4%	1.27 x	10.5%	10.5%	BBB
Cleco Corp.	44.00%	56.00%	2.60 x	10.0%	1.45 x	9.0%	10.5%	BBB
DPL Inc.	44.00%	56.00%	4.90 x	23.9%	3.02 x	23.5%	23.5%	A-
IDACORP, Inc.	54.00%	46.00%	2.93 x	10.3%	1.06 x	8.0%	7.5%	BBB
Northeast Utilities	40.00%	58.50%	3.10 x	9.8%	1.29 x	9.0%	9.0%	BBB
PG&E Corp.	48.00%	51.00%	4.12 x	22.5%	1.72 x	11.5%	11.5%	BBB+
Pinnacle West Capital	48.50%	51.50%	4.29 x	18.0%	1.11 x	7.5%	8.0%	BBB-
Progress Energy	45.00%	55.00%	2.95 x	12.2%	1.22 x	9.5%	9.5%	BBB+
Southern Company	42.50%	54.00%	4.24 x	17.2%	1.87 x	12.5%	12.5%	A
Westar Energy	47.50%	52.00%	3.64 x	12.6%	1.06 x	6.5%	7.5%	BBB-
Xcel Energy	47.50%	52.00%	3.85 x	17.1%	1.35 x	9.5%	9.5%	BBB+
Average	46.92%	52.13%	3.69 x	15.6%	1.47 x	10.3%	10.6%	BBB+
Empire District Electric	45.50%	54.50%	3.50 x	13.3%	1.15 x	7.00%	8.50%	BBB-

Sources:

The Value Line Investment Survey Ratings & Reports, November 27 and December 25, 2009 and February 5, 2010. for columns (1), (2), (6) and (7)

Standard & Poor's RatingsDirect for columns (3), (4) and (8).

AUS Utility Reports, January 2010 for column (5).

Notes:

1. According to most recent S&P published research reports available to Staff when it prepared its testimony in this case.

The Empire District Electric Company
Case No. ER-2010-0130

Public Utility Revenue Requirement
or
Cost of Service

The formula for the revenue requirement of a public utility may be stated as follows :

Equation 1 : **Revenue Requirement = Cost of Service**

or

Equation 2 : **$RR = O + (V - D)R$**

The symbols in the second equation are represented by the following factors :

RR	=	Revenue Requirement
O	=	Prudent Operating Costs, including Depreciation and Taxes
V	=	Gross Valuation of the Property Serving the Public
D	=	Accumulated Depreciation
(V - D)	=	Rate Base (Net Valuation)
(V - D)R	=	Return Amount (\$\$) or Earnings Allowed on Rate Base
R	=	$iL + dP + kE$ or Overall Rate of Return (%)
i	=	Embedded Cost of Debt
L	=	Proportion of Debt in the Capital Structure
d	=	Embedded Cost of Preferred Stock
P	=	Proportion of Preferred Stock in the Capital Structure
k	=	Required Return on Common Equity (ROE)
E	=	Proportion of Common Equity in the Capital Structure

**The Empire District Electric Company
Case No. ER-2010-0130**

**Weighted Cost of Capital as of December 31, 2009
for The Empire District Electric Company**

Capital Component	Percentage of Capital	Embedded Cost	Weighted Cost of Capital Using Common Equity Return of:		
			8.90%	9.40%	9.90%
Common Stock Equity	47.38%	-----	4.22%	4.45%	4.69%
Preferred Stock	3.84%	8.87%	0.34%	0.34%	0.34%
Long-Term Debt	48.79%	6.75%	3.30%	3.30%	3.30%
Short-Term Debt	0.00%		0.00%	0.00%	0.00%
Total	100.00%		7.85%	8.09%	8.33%

Sources:

See Schedule 7 for the Capital Structure Ratios.

MISSOURI PUBLIC SERVICE COMMISSION

**STAFF REPORT
COST OF SERVICE**

**APPENDIX 3
Staff Regulatory Plan Amortization Calculation**

**EMPIRE DISTRICT ELECTRIC COMPANY
The-Investor (Electric)**

CASE NO. ER-2010-0130

**Calculation of Amortization to Meet Financial Ratio Targets
Case No. ER-2010-0130, The Empire District Electric Company**

		<u>Total Company</u>	<u>Juris. Alloc.</u>
Additional Net Balance Sheet Investment		238,389,000	198,578,037
Rate Base	Staff Acct. Schedule 2		769,774,690
Jurisdictional Allocation for Capital		0.833	0.833
Total Capital	L5+L6		968,352,727
Equity	Staff Acct. Schedule 12	0.4738	458,805,522
Trust Preferred	Staff Acct. Schedule 12	0.0384	37,184,745
Long-term Debt	Staff Acct. Schedule 12	0.4879	472,459,296
Cost of Debt	Staff Acct. Schedule 12		6.75%
Interest Expense	L12*L13(+\$2,125,000(TOPRS))		34,016,002
Electric Sales Revenue	Staff Acct. Schedule 9, L. 2-3 (plus rate Increase impact)		364,025,051
Other Electric Operating Revenue	Staff Acct. Schedule 9		6,065,414
Operating Revenue	L16+L17		370,090,465
Operating and Maintenance Expense	Staff Acct. Schedule 9		225,029,540
Depreciation	Staff Acct. Schedule 9		39,718,118
Amortization	Staff Acct. Schedule 9		8,032,031
Interest on Customer Deposits	Staff Acct. Schedule 9		371,659
Taxes Other than Income Taxes	Staff Acct. Schedule 9		13,464,964
Federal and State Income Taxes	Staff Acct. Schedule 9, L. 162+168 (plus rate incr. impact)		21,222,474
Gains on Disposition of Plant			
Total Water Operating Expenses			
Total Electric/Water Operating Expenses	Sum of L. 21-28		307,838,786
Operating Income - Electric	L. 19 - L. 21		62,251,679
Less: Interest Expense	L. 14		34,016,002
Depreciation	L. 22		39,718,118
Amortization	L. 23		8,032,031
Deferred Taxes	Staff Acct. Schedule 9		3,760,468
Funds from Operations (FFO)	Sum of L. 31-36		79,746,294
Additional Financial Information Needed for Calculation of Ratios			
Capitalized Lease Obligations	EDE Accounts 227 + 243	2,668,128	2,222,551
Short-term Debt Balance	EDE Form 10-K, p. 69	50,500,000	42,066,500
Short-term Debt Interest	EDE Accounts 417.891 + 431.400	1,124,883	937,028
Cash Interest Paid	Information Supplied by EDE	46,778,000	38,966,074
AFUDC Debt (capitalized interest)	EDE Form 10-K, p. 70	7,924,000	6,600,692
Imputed PPA Debt Amortization	Information Supplied by EDE	5,261,000	4,382,413
Adjustments Made by Rating Agencies for Off-Balance Sheet Obligations			
Debt Adj for Off-Balance Sheet Oblig			
Operating Lease Debt Equivalent	Information Supplied by EDE	5,272,000	4,391,576
Purchase Power Debt Equivalent	Information Supplied by EDE	103,285,000	86,036,405
Total OSB Debt Adjustment	L. 52 + L. 53	108,557,000	90,427,981

**Calculation of Amortization to Meet Financial Ratio Targets
Case No. ER-2010-0130, The Empire District Electric Company**

		<u>Total Company</u>	<u>Juris. Alloc.</u>
Operating Lease Deprec. Adjustment	Information Supplied by EDE	720,000	599,760
Interest Adjustments for Off-Balance Sheet Obligations			
Present Value of Operating Leases	L. 52 * 6.8%		298,627
Present Value of Purchased Power	L. 53 * 6.8%		5,850,476
Total OSB Interest Adjustment	L. 59 + L. 60		6,149,103
Ratio Calculations			
Adjusted Interest Expense	L. 14 + L. 46 + L. 61		41,102,133
Adjusted Total Debt 12/31/09	(L11/2) + L. 12 + L. 44 + L. 45 + L. 54		625,768,699
Adjusted Total Debt 12/31/08	Not Used in Calculation		
Adjusted Total Capital	L. 9 + L. 44 + L. 45 + L. 54		1,103,069,759
Adj. FFO Interest Coverage	(L37+L56+L64+L49)/L64		3.06
Adj. FFO as a % of Total Debt	(L37+L56+L49)/L65		0.1354
Adj. Total Debt to Total Capital	L65/L67		0.5673
Changes Required to Meet Ratio Targets			
Adj. FFO Interest Coverage Target			3.20
FFO Adjustment to Meet Target	(L74-L69) * L64		5,696,225
Interest Adjustment to Meet Target	L37 * (1/(L74 - 1) - 1/L69 - 1)		-54,825,576
Adj. FFO as a % of Total Debt			0.195
FFO Adjustment to Meet Target	(L78 - L70) * L65		37,296,430
Debt Adjustment to Meet Target	L37 * (1/L78 - L70)		-180,017,121
Adj. Total Debt to Total Capital Target			56.50%
Debt Adjustment to Meet Target	(L82 - L71) * L67		-2,534,286
Total Capital Adjustment to Meet Target	L65/L82 - L67		4,485,462
Amortization and Revenue Needed to Meet Targeted Ratios			
FFO Adj. Needed to Meet Target Ratios	Maximum of L75, L79 or Zero		37,296,430
Effective Income Tax Rate			0.3839
Deferred Income Taxes	L87 * L88/(1 - L88)		23,239,895
Total Amort Requirement for FFO Adj.	L87 - L89		60,536,325

* All references to Staff Acct. Schedules tie to schedules reflected in the Accounting Schedules filed 2/26/10

MISSOURI PUBLIC SERVICE COMMISSION

**STAFF REPORT
COST OF SERVICE**

**APPENDIX 4
S&P Ratings Analysis of Empire**

**EMPIRE DISTRICT ELECTRIC COMPANY
The-Investor (Electric)**

CASE NO. ER-2010-0130

Research

Summary:

Empire District Electric Co.

28-Jan-2010

Credit Rating: BBB-/Stable/A-3

Rationale

The ratings on Joplin, Mo.-based utility Empire District Electric Co. reflect a strong business risk profile (business risk profiles are categorized as 'excellent' to 'vulnerable') and an aggressive financial profile (financial profiles are ranked from 'minimal' to 'highly leveraged') that will remain under stress due to an onerous construction program that focuses on new generation sources and environmental compliance. Accordingly, continued conservative financing and the company's ability to control costs and manage its regulatory risk will be essential to support key financial metrics at levels suitable for investment-grade ratings.

Empire's business risk profile benefits from a diverse service territory with limited industrial concentration (approximately 15% of total retail load) and from a cost-conscious management team. Although sales have declined and customer growth is at a very low rate, the service area economy remains healthier than other regions in the country. Importantly, Empire has sold virtually all of its riskier unregulated businesses due to financial underperformance. These characteristics are tempered by generation needs and an historically challenging regulatory environment in Missouri, which appears to be becoming more responsive. Nevertheless, Empire's financial performance will continue to be pressured due to rising costs and heavy spending for its construction program. The company's capital expansion plan revolves around its ownership interest in the Iatan 2 (expected completion recently slipped two months into the fall of 2010) and Plum Point (slated in-service date July 2010) coal-fired stations and on air quality control systems for its investment in Iatan 1.

Full realization of \$22 million (6.7%) net electric rate increase in the fall of 2008 has helped to modestly strengthen the company's financial condition. Importantly, the Missouri Public Service Commission (MPSC) granted a fuel adjustment clause (FAC) that enables the company to recover 95% of changes in fuel and purchased power costs in a timely manner, which is crucial for Empire's credit quality given its reliance on a relatively high level of natural gas-fired generation and purchased power.

Currently pending before the MPSC is an application for a \$68.2 million (19.2%) electric rate increase to become effective in the fall of 2010. The company has also asked to continue with the FAC. Additionally the company is awaiting approval for a \$5.2 million (24.6%) rate hike in Kansas and a 4.9% gas rate increase in Missouri. Based on Iatan 2's previous late summer in-service date, Empire had expected base rates reflecting its investment to be in effect in late 2010. As a result of the two-month delay in the project, timing of receipt of the increase in base rates associated with Iatan 2 is likely to be delayed.

Constructive rate treatment coupled with credit supportive actions by management, including common stock issuances, will be necessary to sustain bondholder protection parameters at levels commensurate with current ratings. Importantly, Empire increased its offering amount of common stock to \$120 million from \$60 million under its existing equity

distribution program; as of the end of September 2009, nearly \$31 million had been sold. The fact that the state regulators will be reviewing rate hike requests at a time of unusual economic weakness is a credit concern. Therefore, the company's ability to manage regulatory risk will be critical to credit quality.

Empire's adjusted financial ratios are mixed for the 'BBB-' rating, with funds from operations (FFO) interest coverage at a healthy 3.7x, FFO to total debt at nearly 15%, and total debt to total capital at a liberal 60.5% at the end of September 2009. When calculating these ratios, Standard & Poor's considers Empire's trust-preferred securities as having intermediate equity content and adjusts ratios for operating leases, purchased power agreements, and pensions. Net cash flow relative to capital expenditures will likely remain below 60%, requiring reliance on external capital. However, we expect Empire to continue to fund its construction program in a balanced manner.

Short-term credit factors

Empire's short-term rating is 'A-3'. As of Sept. 30, 2009, the company had \$5.9 million of cash and cash equivalents. Empire's \$150 million unsecured revolving credit facility increased to \$226 million in March 2006, with the additional \$76 million allocated to support an LOC issued in connection with the company's participation in the Plum Point Energy Station Project. The incremental amount decreases over four years in line with the amount of capital expenditures Empire owes for Plum Point Unit 1. As of Nov. 1, 2009, it had declined to \$10 million. The facility requires total debt be less than 62.5% of total capitalization and EBITDA to be at least 2x. As of the end of September 2009, Empire was in compliance with these ratios. The facility is also subject to cross-default if Empire defaults on more than \$10 million in aggregate on its other debt. There were \$40 million of outstanding borrowings under the \$150 million credit agreement at Sept. 30, 2009. In addition, the company used \$4 million of the availability to back up outstanding commercial paper. On Jan. 26, 2010, EDE entered into an amended and restated credit agreement on its \$150 million revolver, extending the termination date from July 15, 2010 to Jan. 26, 2013.

In addition to the aforementioned credit facility, Empire has a \$50 million credit agreement, which expires on July 15, 2010. The company entered into this new facility on March 11, 2009, to enhance its financial flexibility. There were no borrowings under this agreement at Sept. 30, 2009. Empire's next maturity of \$50 million comes due on April 1, 2010.

Outlook

Ratings stability for Empire incorporates the expectation of steady financial performance throughout the company's construction program. We also expect Empire to continue to fund its capital needs in a conservative fashion. Standard & Poor's could lower the ratings absent future sufficient rate relief, if construction expenditures materially increase resulting in higher-than-expected reliance on debt, and if cash flow metrics erode. We could raise the ratings if rate recovery is supportive during the company's construction program and if key measures of bondholder protection begin to show sustainable improvement.

Primary Credit Analyst: Barbara A Eiseman, New York (1) 212-438-7666;
barbara_eiseman@standardandpoors.com

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1) 212-438-7280 or by e-mail to: research_request@standardandpoors.com.

Copyright © 2010 Standard & Poor's, a division of The McGraw-Hill Companies. All Rights Reserved.

The McGraw-Hill Companies