

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

FILED

JUN 6 1997

MISSOURI
PUBLIC SERVICE COMMISSION

In the Matter of the Empire District Electric Company)
of Joplin, Missouri, for authority to file tariffs increasing)
rates for electric service provided to customers in the)
Missouri service area of the Company.)

Case No. ER-97-81

BRIEF ON PAYROLL EXPENSES

COMES NOW the Office of the Public Counsel ("Public Counsel"), and for its Brief on Payroll Expenses states as follows:

1. On December 13, 1996, the Commission its Order Establishing Test Tear and Directing True-up. In that order, the Commission established a test year of 12 months ending September 30, 1996, with isolated adjustments through May 31, 1997. In that order, the Commission stated:

"Therefore, the Commission will establish the test year for use in this case as the twelve months ending September 30, 1996, with isolated adjustments, including consideration of State Line Unit II, through May 31, 1997. All isolated adjustments will be known and measurable, used an useful, and in-service prior to the adjustment cutoff date. In addition, the relationship between revenue, expense and rate base will be maintained as accurately as possible in calculating any isolated adjustments."

2. On May 2, 1997, the Staff filed the True up Testimony of David Winter. On May 22, 1997, Empire filed the Rebuttal Testimony of Robert B. Fancher regarding true up issues. Also on May 22, 1997, the Staff filed the Supplemental True up Testimony of David Winter.

3. In Mr. Fancher's rebuttal testimony, he proposes an adjustment to revenues of \$258,662 for certain employee positions that were vacant at the isolated adjustment cutoff date of

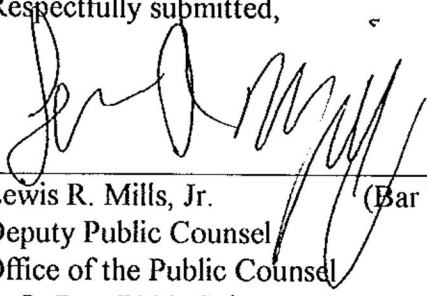
March 31, 1997, but have subsequently been filled, or are in the process of being filled. (Fancher Rebuttal, Ex. TU-3, p. 2). Mr. Fancher admitted on cross-examination that not all of the 16 positions at issue have been filled, and furthermore, that not all of them have a certain date by which that they will be filled. (Tr. 87-88). Mr. Fancher also testified that the company has constant turnover, and that the number of vacancies stays about the same from month to month. (Tr. 90). He testified that the company has a little over 3% vacancy rate in employees all the time. (Tr. 97). Mr. Fancher also testified that the company's revenues are increasing, and that customer growth and revenues were cutoff on March 31. (Tr. 91).

4. The matching principle as noted in the Commission's order cited above, decrees that the relationship between revenue, expense, and rate base should be maintained as accurately as possible in calculating any isolated adjustments. The Staff's true up proposal does just that. It takes revenues, expenses, and rate base as of the same date and matches them exactly. Empire's proposal, on the other hand, would take all components, except for the payroll associated with 16 employees, and cut them off as of March 31. On its face, this is an improper violation of the matching principle. To make matters worse, Empire is unable to show that on whatever date these particular 16 slots are filled, that there will not be another 16 slots vacant. In fact, Empire admits that the number of vacancies is fairly constant.

5. In summary, to allow recovery of the expenses associated with these 16 positions (some of which may even now may be unfilled) without taking into account increases in revenue and changes in rate base would violated the matching principle and the Commission's order cited above and should not be allowed.

Respectfully submitted,

BY:



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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been either mailed or hand-delivered to the following counsel of record on this 6th day of June, 1997:

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