1 2 3 7	Class Cost of Service Study Test Year Ended Dec. 31, 2008					e Study 31, 2008	Y I	Exhibit HEO-2 Page 1 of 7		
8	Account	Account		ccount	Allocation		CTODACE	TDANCMI	DICTRIBLE	ONCITE
9 10 11	<u>Description</u>	<u>Code</u>	<u> </u>	<u>alance</u>	<u>Factor</u>	SUPPLY	STORAGE	TRANSIVII	DISTRIBU	<u>ONSITE</u>
12	I. GAS PLANT IN SERVICE									
13	Organization	301		284,572	DIST	0	0	0	284,572	0
14	Franchises & Consents	302		22,760	DIST	0	0	0	22,760	0
15	Subtotal - INTANGIBLE ASSETS	301-303		307,332		0	0	0	307,332	0
16 17										
18		304-338		<u>0</u>	None	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
19	Subtotal - PRODUCTION PLANT	304-338		0		0	0	0	0	0
20 21	C. STORAGE PLANT									
	Storage Plant	360-365		<u>0</u>	None	0		<u>0</u>	<u>0</u>	<u>0</u>
23 24	Subtotal - STORAGE PLANT	360-366		0		0	0	0	0	0
25	D. TRANSMISSION PLANT	365-369		7,461,275	TRANS	0	0	7,461,275	0	0
26	D. INANOMIOGICIET LANT	303-303		7,401,273	TIVAINO	O	O	7,401,273	O	O
27	E. DISTRIBUTION PLANT									
28		374		37,329	DIST	0	0	0	37,329	0
29		375		98,669	DIST	0	0	0	98,669	0
30	·	376	40	0,882,215	DIST	0	0	0	40,882,215	0
31	Meas. & Reg. Stat. Equip General	378		636,217	DIST	0	0	0	636,217	0
32	Meas. & Reg. Stat. Equip City Gate	379		932,939	DIST	0	0	0	932,939	0
33	Services	380	23	3,733,563	DIST	0	0	0	23,733,563	0
34	Meters	381	!	5,233,634	ONSITE	0	0	0	0	5,233,634
35	House Regulators	383	;	3,111,493	ONSITE	0	0	0	0	3,111,493
36	Ind. Meas. & Reg. Station Equip.	385		583,501	DIST	0	0	0	583,501	0
37		387		<u>5,472</u>	DIST	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,472</u>	<u>0</u>
38	Subtotal - DISTRIBUTION PLANT	374-387	7:	5,255,033		0	0	0	66,909,905	8,345,128
39	E GENERAL BLANE									
40		000		40.004				•	00.004	40.000
41	Land and Land Rights	389		40,234	LABOR	0	0	0	20,934	19,299
42	Structures and Improvements	390		1,269,203	LABOR	0	0	0	660,393	608,810
	Office Furniture and Equipment Office Furniture and Equipment - C	391 391C		374,488 707,056	LABOR LABOR	0	0	0	194,854 367,896	179,634 339,160
44		392		1,213,917	LABOR	0	0	0	631,626	582,291
46		393		29,019	LABOR	0	0	0	15,099	13,920
47		394		761,155	LABOR	0	0	0	396,044	365,110
48	•	395		98,267	LABOR	0	0	0	51,130	47,137
	Power Operated Equipment	396		425,081	LABOR	0		0	221,179	203,903
	L			,		ŭ	J	Ü	, 0	,

1 2 3 7	THE EMPIRE DISTRICT GAS COMPANY Class Cost of Service Study Test Year Ended Dec. 31, 2008 FUNCTIONALIZATION						Exhibit HEO-2 Page 2 of 7		
	Account	Account	A account	Allogation	FUNC	IIONALIZAI	ION		
8 9	Account	Account	Account	Allocation	CLIDDI V	STORAGE	TDANGMI	DICTRIBLE	ONSITE
10	<u>Description</u>	<u>Code</u>	<u>Balance</u>	<u>Factor</u>	SUPPLI	STORAGE	TRANSIVII	DISTRIBU	ONSITE
11									
50	Common Property	397	410,334	LABOR	0	0	0	213,505	196,829
51	Miscellaneous Equipment	398	116,207	LABOR	<u>0</u>	<u>0</u>	<u>0</u>	60,465	<u>55,742</u>
52	Subtotal - GENERAL PLANT	389-399	5,444,960		0	0	0	2,833,126	2,611,834
53									
54	TOTAL UTILITY PLANT		88,468,600		0	0	7,461,275	70,050,363	10,956,962
55									
56	II. DEPRECIATION RESERVE								
57	Intangible Plant	108.10	117,135	DIST	0	0	0	117,135	0
58		108.20	0	None	0	0	0	0	0
59	Local Storage Plant	108.30	0	None	0	0	0	0	0
60	Transmission Plant	108.40	5,179,243	TRANS	0	0	5,179,243	0	0
61	Mains	108.52	15,056,283	DIST	0	0	0	15,056,283	0
62	Mains- Direct Assignment	108.52	0	None	0	0	0	0	0
63	Services	108.54	12,276,976	DIST	0	0	0	12,276,976	0
64	Meters	108.55	3,137,874	ONSITE	0	0	0	0	3,137,874
65	Distr Other	108.58	1,003,123	DIST	0	0	0	1,003,123	0
66	General Plant	108.80	2,862,349	LABOR	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,489,340</u>	<u>1,373,009</u>
67	TOTAL - DEPRECIATION RESERVE	108	39,632,982		0	0	5,179,243	29,942,857	4,510,883
68									
69	III. OTHER RATE BASE ITEMS								
70	9		6,572,717	STOR	0	6,572,717	0	0	0
71	11		470,373	PLANT	0	0	42,429	380,489	47,455
	Customer Deposits		(994,045)	DIST	0	0	0	(994,045)	0
	Customer Advances for Construction		(317,323)	DIST	0	0	0	(317,323)	
	Accum Defd Inc Taxes- Gas Inventory	•	0	STOR	0	0	0	0	0
_	Accum Defd Inc Taxes- Plant		(1,847,299)	PLANT	0	0	(166,632)	(1,494,296)	(186,371)
76	Other Gas-related		0	STOR	0	0	0	0	0
77			2,527,130	PLANT	0	0	227,955	2,044,216	254,958
78			<u>0</u>	LABOR	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
_	Total - OTHER RATE BASE ITEMS		6,411,553		0	6,572,717	103,752	(380,958)	116,042
80	W TOTAL DATE DAGE (F. J. W. J.	o	55 0 47 470			0.570.747	0.005.705	00 700 540	0.500.404
	IV. TOTAL RATE BASE (Excl. Working		55,247,170	0011	0	6,572,717		39,726,548	6,562,121
82	Working Capital	131	<u>2,485,148</u>	O&M	17,466	0	53,446	945,436	1,468,800
83	V TOTAL DATE DAGE		E7 722 240		17 466	6 F70 747	2 420 224	40 674 000	9 020 024
84	V. TOTAL RATE BASE		57,732,318		17,466	6,572,717	2,439,231	40,671,983	8,030,921
85	L ODEDATION & MAINTENANCE EVDE	NOT							

86 I. OPERATION & MAINTENANCE EXPENSE

87 A. PRODUCTION EXPENSES

1 2 3 7					THE EMPIRE DISTRICT GAS COMPANY Class Cost of Service Study Test Year Ended Dec. 31, 2008 FUNCTIONALIZATION				Exhibit HEO-2 Page 3 of 7	
8	Account	Account	Account	Allocation						
9	<u>Description</u>	<u>Code</u>	<u>Balance</u>	<u>Factor</u>	<u>SUPPLY</u>	STORAGE	TRANSMI	<u>DISTRIBU</u>	<u>ONSITE</u>	
10 11										
88	Manufactured Gas Production									
89	Operations Labor	701	0	None	0	0	0	0	0	
90	Operation Supv and Engineering	710	0	None	0	0	0	0	0	
91	LNG Expense	717	<u>0</u>	None	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
92	Subtotal - O&M Accounts 701-716	710-716	0		0	0	0	0	0	
93	Maint. of Structure & Improvements	741	0	None	0	0	0	0	0	
94	Maint Production Equipment	742	<u>0</u>	None	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
95	Subtotal - O&M Accounts 717-742	717-742	0		0	0	0	0	0	
96 97	Subtotal - Manufactured Gas Production	710-742	0		0	0	0	0	0	
98	2. Other Gas Supply Expenses									
99	Natural Gas City Gate Purchases	804	0	SUPP	0	0	0	0	0	
100	Other Natural Gas Purchases	805	0	SUPP	0	0	0	0	0	
101	Natural Gas W/D from Storage- Gas Report	808	0	SUPP	0	0	0	0	0	
102		812	0	SUPP	0	0	0	0	0	
103	LNG Operating Expenses	813	<u>18,343</u>	SUPP	18,343	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
104	Subtotal - PRODUCTION EXPENSES	710-813	18,343		18,343	0	0	0	0	
105			•		,					
106	B. NATURAL GAS STORAGE, TERMINA	LING & PROCESSING EXPEN	NSES							
107	Energy Trading & Accounting	844	77,687	SUPP	77,687	0	0	0	0	
108	Subtotal - NATURAL GAS STORAGE	840-850	77,687		77,687	0	0	0	0	
109			•		,					
110	C. TRANSMISSION EXPENSES	851-870	169,987	TRANS	0	0	169,987	0	0	
111			•				,			
112	D. DISTRIBUTION EXPENSES									
113	Mains and Services Expenses	874	168,919	DIST	0	0	0	168,919	0	
114	Perf Distrib Main Locates	874.01	274,398	DIST	0	0	0	274,398	0	
115	Routine Leak Surv Mains & SVCS	874.02	72,227	DIST	0	0	0	72,227	0	
116	Meas. & Reg. Station Expense General	875	110,946	DIST	0	0	0	110,946	0	
117		876	0	DIST	0	0	0	0	0	
	Meas. & Reg. Station Expense Stat-City G		28,156	DIST	0	0	0	28,156	0	
	Meter & House Regulator Expenses	878	229,717	ONSITE	0	0	0	0	229,717	
120	Perf Connects/Discon/Recon-Gas	878.01	521,299	ONSITE	0	0	0	0	521,299	
121	Customer Install	879	294,993	ONSITE	0	0	0	0	294,993	
	Other expenses	880	211,476	DIST_PT	0	0	0	188,025	23,451	
123	Co Used Gas O&M Offset	880.01	19,827	DIST_PT	0	0	0	17,628	2,199	
124	Distribution Rents	881	0	DIST_PT	0	0	0	0	0	
	Maint. Supervision & Engineering	885	58,975	DIST_PT	0	0	0	52,435	6,540	
126	Maint. of Mains	887	450,109	DIST	0	0	0	450,109	0	
	PerfMaint3rdPartyDmg-UGDistGas	887.01	7,160	DIST	0	0	0	7,160	0	
			•					•		

1 2 3 7	Test Year Ended Dec. 31, 2008							' E	xhibit HEO-2 Page 4 of 7
8	Account	Account	Account	Allocation					
9	<u>Description</u>	<u>Code</u>	<u>Balance</u>	<u>Factor</u>	<u>SUPPLY</u>	<u>STORAGE</u>	<u>TRANSMI</u>	<u>DISTRIBU</u>	<u>ONSITE</u>
10									
11	Dist Maint Oceans Otation Fault	000	400	DIOT	0	0	0	400	0
128	Dist Maint Compr Station Equip	888	133	DIST	0	0	0	133	0
129	Maint Of Meas. & Reg. Station Expense G	889	66,419	DIST	0	0	0	66,419	0
130	Maint Of Meas. & Reg. Station Expense In	890	70,803	DIST	0	0	0	70,803	0
131	Maint Of Meas. & Reg. Station Expense St		4,809	DIST	0	0	0	4,809	0
132	Maint. of Services	892	134,957	DIST	0	0	0	134,957	0
133	Maint. of Meters & House Regulators	893	45,986	ONSITE	0	0	0	0	45,986
134	Maintenance of Other Equipment	894	189	DIST_PT	0	0	0	168	21
	Blank	XXX	<u>0</u>	DIST_PT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
136		870-894	2,771,495		0	0	0	1,647,291	1,124,204
137	Total - OPERATION & MAINTENANCE EX	PENSES	3,019,169		77,687	0	169,987	1,647,291	1,124,204
138									
139	II. CUSTOMER ACCOUNTS EXPENSES								
140	Customer Service - Administrative	901	73,353	ONSITE	0	0	0	0	73,353
141	Meter Reading Expenses	902	667,900	ONSITE	0	0	0	0	667,900
142	Customer Records & Collection Expense	903	915,988	ONSITE	0	0	0	0	915,988
143	Uncollectible Accounts	904	1,365,508	ONSITE	0	0	0	0	1,365,508
144	Write-Off- PIP	904P	0	ONSITE	0	0	0	0	0
145	Miscellaneous Customer Accounts Expens		51,806	ONSITE	0	0	0	0	51,806
146	Miscellaneous Customer Accounts Expens	905A	<u>0</u>	ONSITE	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
147	Total - CUSTOMER ACCOUNTS EXPENS	ES	3,074,555		0	0	0	0	3,074,555
148									
149	III. CUSTOMER SERVICE & INFORMATION	NAL EXPENSES							
150	Operation Supervision	907	20,484	ONSITE	0	0	0	0	20,484
151	Customer Assist- Choice	908C	0	ONSITE	0	0	0	0	0
152	Customer Assist- Other	908	240,043	ONSITE	0	0	0	0	240,043
153	Advertising & Promotion	909	20,444	ONSITE	0	0	0	0	20,444
154	Other Customer Service & Informational Ex	910	0	ONSITE	0	0	0	0	0
155	Operations sales Expense	911	13,870	ONSITE	0	0	0	0	13,870
156	Demonstration	912	16,439	ONSITE	0	0	0	0	16,439
157	Total - CUSTOMER SERVICE & INFORMA	ATIONAL EXP.	311,281		0	0	0	0	311,281
158									
159	Total - CUSTOMER ACCOUNTS, SERVIC	ES & SALES EXPENSES	3,385,836		0	0	0	0	3,385,836
160	·								
	IV. ADMINISTRATIVE & GENERAL EXPE	NSES							
162									
	A. Labor-Related:								
	Administrative & General Salaries	920	1,750,379	LABOR	0	0	0	910,759	839,621
	Office Supplies & Expenses	921	738,856	LABOR	0	0	0	384,442	354,414
	Transfer Expenses	922	0	LABOR	0	0	0	0	0
	Outside Services Employed	923	205,815	ONSITE	0	0	0	0	205,815
107	Outside dervices Employed	525	200,010	ONOTE	U	U	U	U	200,010

1 2 3 7					THE EMPIRE DISTRICT GAS COMPANY Class Cost of Service Study Page 5 of Test Year Ended Dec. 31, 2008 FUNCTIONALIZATION						
8	Account	Account	Account	Allocation							
9 10 11	<u>Description</u>	<u>Code</u>	<u>Balance</u>	<u>Factor</u>	SUPPLY	STORAGE	TRANSMI	DISTRIBU	<u>ONSITE</u>		
168	Outside Services Employed	923	0	ONSITE	0	0	0	0	0		
169	Injuries & Damages	925	260,141	LABOR	0	0	0	135,357	124,784		
170	Employee Pensions and Benefits	926	<u>767,116</u>	LABOR	<u>0</u>	<u>0</u>	<u>0</u>	<u>399,146</u>	<u>367,970</u>		
171	Subtotal - O&M Accounts 920-923, 926		3,722,307		0	0	0	1,829,704	1,892,604		
172											
173	B. Plant-Related:										
174	Property Insurance	924	<u>255</u>	PLANT	<u>0</u>	<u>0</u>	<u>23</u>	<u>206</u>	<u>26</u>		
175	Subtotal - O&M Accounts 924		255		0	0	23	206	26		
176											
177	C. Other-Related:										
178	Regulatory Commission Expenses	928	269,917	PLANT	0	0	24,347	218,338	27,232		
179	Duplicate Charges Credit	929	(18,875)	PLANT	0	0	(1,703)	(15,268)	(1,904)		
180	PUCO Assessments	408	0	PLANT	0	0	0	0	0		
181	Customer Interest Expense	431	61,449	DIST	0	0	0	61,449	0		
_	Miscellaneous General	930	185,185	PLANT	0	0	16,704	149,798	18,683		
183	Rents	931	314,468	PLANT	0	0	28,366	254,375	31,726		
184	Misc. General Plant	935	<u>114,011</u>	LABOR	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,322</u>	<u>54,689</u>		
185	Subtotal - O&M Accounts 928-935		926,155		0	0	67,715	728,014	130,425		
186	Tatal ADMINISTRATIVE O OFNEDALE	TYPENOE O	4 0 4 0 7 4 7		0	0	07.700	0.557.004	0.000.055		
187	Total - ADMINISTRATIVE & GENERAL E	EXPENSES	4,648,717		0	0	67,738	2,557,924	2,023,055		
188	TOTAL - OPERATING EXPENSES (Exc	I Done Toy and Cas Sunnly)	11 052 722		77 607	0	227 725	4 20E 21E	6 522 005		
189 190	TOTAL - OPERATING EXPENSES (EXC	Dept, Tax and Gas Supply)	11,053,722		77,687	U	237,725	4,205,215	6,533,095		
190	VI. DEPRECIATION EXPENSE										
192	Intangible Plant	403.10	26,866	INTANG PT	Г 0	0	0	26,866	0		
193	Production Plant	403.10	20,000	None	0	0	0	20,000	0		
194	Local Storage Plant	403.30	0	None	0	0	0	0	0		
195	Transmission Plant	403.40	117,683	TRANS	0	0	117,683	0	0		
196	Mains	403.51	940,291	DIST	0	0	0	940,291	0		
197	Mains- Direct	403.52	0	DIST	0	0	0	0	0		
198		403.53	683,527	DIST	0	0	0	683,527	0		
199	Meters	403.54	230,211	ONSITE	0	0	0	0	230,211		
200	Distr Other	403.55	47,111	DIST_xMSM		0	0	47,111	0		
201	General Plant	403.60	315,085	LABOR	0	0	0	163,945	151,140		
202	Rent from Gas Ppty / Other Rev	404.00	753,598	PLANT	0	0	67,977	609,592	76,029		
203	Adjustments		<u>0</u>	PLANT	<u>0</u>	<u>0</u>	<u>0</u>	0	<u>0</u>		
204	Total - DEPRECIATION EXPENSE	403	3,114,37 <u>1</u>		0	0	185,660	2,471,331	457,38 0		
205							•		•		

206 VII. TAXES OTHER THAN INCOME TAXES

207 A. General Taxes

1 2 3 7				Test Year	DISTRICT GA ost of Service Ended Dec. CTIONALIZAT	Y E	Exhibit HEO-2 Page 6 of 7		
8	Account	Account	Account	Allocation					
9	<u>Description</u>	<u>Code</u>	<u>Balance</u>	<u>Factor</u>	<u>SUPPLY</u>	<u>STORAGE</u>	<u>TRANSMI</u>	<u>DISTRIBU</u>	<u>ONSITE</u>
10 11									
208	Property Tax- Plant		615,720	PLANT	0	0	55,540	498,061	62,119
209	Distribution Tax		0	None	0	0	0	0	0
210	Payroll related		12,179	LABOR	0	0	0	6,337	5,842
211	Other taxes		40,251	PLANT	0	0	3,631	32,559	4,061
212	Property Tax- Inventory		<u>241,503</u>	STOR	<u>0</u>	241,503	<u>0</u>	<u>0</u>	<u>0</u>
213	Subtotal- Taxes Other Than Income Tax	xes 408	909,652		0	241,503	59,171	536,957	72,022
214									
215	B. Franchise and Revenue Taxes								
216	Gross Receipts Tax		0	REVENUE	0	0	0	0	0
217	GRT- Uncoll Rider		<u>0</u>	None	<u>0</u>	<u>0</u> 0	<u>0</u>	<u>0</u>	<u>0</u>
218	Subtotal- Franchise and Gross Receipts	s Tax	0		0	0	0	0	0
219									
220	C. Income Tax Expense								
221	State Income Tax expense		33,394	Pre-Tax	53	7,563	1,962	2,649	21,166
222	Federal Income Tax Deferred		519,234	PLANT	0	0	46,837	420,013	52,385
223	Federal Income Tax expense		<u>212,506</u>	Pre-Tax	<u>339</u>	48,131	12,483	16,858	134,695
224	Subtotal- Income tax expense		765,133		392	55,694	61,282	439,519	208,246
225	Total- TAX EXPENSE		1,674,786		392	297,197	120,452	976,476	280,268
226									

15,861,222

96,422

297,197

543,837 7,653,022 7,270,742

227 TOTAL EXPENSES

228

1	THE EMPIRE DISTRICT GAS COMPANY						Y [Exhibit HEO-2	
2						st of Service		Page 7 of 7	
3						Ended Dec.	•		
7						TIONALIZAT	TON		
8	Account	Account	Account	Allocation					
9	<u>Description</u>	<u>Code</u>	<u>Balance</u>	<u>Factor</u>	<u>SUPPLY</u>	<u>STORAGE</u>	<u>TRANSMI</u>	<u>DISTRIBU</u>	<u>ONSITE</u>
10 11									
229	V. REVENUES at Present Rates								
230	Residential	480-483	11,695,138	REVENUE	62,401	716,759	441,224	4,585,627	5,889,127
231	Comm - Indust Sales	480-483	4,661,454	REVENUE	24,872	285,686	175,863	1,827,741	2,347,291
232	Comm - Indust Transport	480-483	2,673,260	REVENUE	14,264	163,836	100,854	1,048,177	1,346,129
233	Forfeited Discounts Gas	480-483	94,128	REVENUE	502	5,769	3,551	36,907	47,398
234	Returned Check Chgs Gas	480-483	13,340	REVENUE	71	818	503	5,231	6,717
235	Reconnect Charges Gas	480-484	67,279	REVENUE	359	4,123	2,538	26,380	33,879
236	Tax Remuneration Gas	480-485	29,924	REVENUE	160	1,834	1,129	11,733	15,068
237	Misc Revenue	480-485	0	REVENUE	0	0	0	0	0
238	Gas Revenue	480-483	0	REVENUE	0	0	0	0	0
239	Rent from Gas Ppty / Other Rev	495	<u>0</u>	REVENUE	_	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
240	Subtotal Gas Revenues, net		19,234,523		102,628	1,178,826	725,663	7,541,796	9,685,610
241									
242	Non-Operating Income	418-421	0	None	0	0	0	0	0
243	Non-Operating Income	426	<u>0</u>	None	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
244	Total Non-Oper Income		0		0	0	0	0	0
245									
246	Total Revenue		19,234,523		102,628	1,178,826	725,663	7,541,796	9,685,610
247									
248	Total Expenses		15,861,222		96,422	297,197	543,837	7,653,022	7,270,742
249									
250	NET INCOME at Present Rates		<u>3,373,301</u>		<u>6,206</u>	<u>881,628</u>	<u>181,826</u>	<u>(111,226)</u>	<u>2,414,867</u>