

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

In the Matter of the tariff filing of The)	
Empire District Electric Company)	
to implement a general rate increase for)	Case No. ER-2004-0570
retail electric service provided to customers)	
in its Missouri service area)	

**REPLY TO SUGGESTIONS IN OPPOSITION TO MOTION TO LIFT
SUSPENSION OF IEC TARIFF**

Comes now The Empire District Electric Company ("Empire" or "Company"), by counsel, and for its Reply to the various suggestions filed by the other parties in opposition to Empire's Motion to Lift Suspension of IEC Tariff ("the Motion") respectfully states as follows to the Missouri Public Service Commission ("Commission"):

1. Having reviewed the suggestions of the other parties to the Motion, several items are clear. First, no party contests the fact that natural gas is currently the primary source of fuel for 704 MW of Empire's 1264 MW of generating capacity. Second, no party contests the fact that natural gas prices increased from between \$2.00 to \$3.00 per MMBtu in the mid-1990's to over \$4.50 per MMBtu for the majority of 2003. Third, no party contests the fact that at the time of the Motion future prices for the remainder of 2004 ranged from \$5.59 to \$6.12 per MMBtu and future prices for 2005 ranged from \$5.28 to \$6.26 per MMBtu. Simply stated, natural gas prices are extremely volatile. In fact, as of the date of this pleading, June 7, 2004, prices range from \$6.15 to \$6.66 per MMBtu for the remainder of 2004 and \$5.87 to \$6.78 per MMBtu for 2005. In short, the Company's natural gas expenses continue to rise with the market in spite of Empire's hedging strategies.

2. Empire believes that these circumstances surrounding natural gas prices coupled with Empire's dependency on that fuel source constitute the occurrence of a significant, unusual event that has had and will continue to have a major financial impact on the Company. Whether these circumstances rise to the level of the Commission's historical "emergency" standard for interim rate relief should not be the issue. Holding the Commission to a simple, restrictive mechanical analysis is not good public policy. The real question is, when faced with unique and unprecedented circumstances, will the Commission consider itself hamstrung by a historical standard and thus unable to exercise its lawful discretion, or will it move in the direction of attempting to create innovative solutions to deal with changing circumstances?

3. Surely the parties to this proceeding, with some encouragement from the Commission, should be creative enough to develop a process whereby, taking into account all relevant factors, the Commission can address this issue and come to a workable IEC mechanism or, alternatively a permanent resolution of the case in chief in less than the customary eleven month period. In this regard, there is precedent for the Commission Staff conducting an audit and calculating a revenue requirement within two months of the filing of a rate case. (See Case No. ER-97-82) That timetable applied to this case would lead to a Staff-calculated revenue requirement for the underlying rate case by July 1, 2004. With such timely information, the parties would be in a position to consider the possible resolution of the case in its entirety at a relatively early point in the proceedings thereby providing Empire with the needed relief.

4. In summary, Empire continues to believe that a technical conference

would be of value. Such a conference will afford the Company the opportunity to discuss with the parties a means to both achieve the goal of the Motion and to address the concerns raised by said parties through their suggestions. Empire would also like the opportunity to discuss the Motion and the underlying issues with the Commission through an oral presentation should the Commission deem such to be appropriate and helpful.

WHEREFORE, Empire respectfully renews its request that the Commission order a technical conference in connection with the Motion and further that the Commission schedule an oral presentation in connection with this matter.

Respectfully submitted,



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ATTORNEYS FOR THE EMPIRE DISTRICT ELECTRIC COMPANY

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing was, on this 7TH day of June, 2004, sent via electronic mail, U.S. Postage, or hand delivered, to all parties of record.

