

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

FILED

FEB 18 1997

**MISSOURI
PUBLIC SERVICE COMMISSION**

Case No. ER-97-81

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.)

STAFF'S TRUE-UP RECOMMENDATION

Comes now the Staff of the Missouri Public Service Commission, by and through counsel, and for its recommendation concerning true-up in the above captioned case, states as follows:

1. On August 30, 1996, The Empire District Electric Company (Empire) filed with the Commission tariffs designed to produce an annual increase in revenues of \$23,438,226.
2. On September 20, 1996, the Commission issued its Suspension Order And Notice. In its Order, the Commission ordered the Staff to file, concurrent with its prefiled direct testimony, a true-up recommendation.
3. On December 13, 1996, the Commission established the twelve month period ending September 30, 1996 as the test year, with isolated adjustments, including consideration of Empire's new State Line Unit 2 combustion turbine, through May 31, 1997.
4. The Staff's true-up recommendation is found on pp. 3-4 of the direct testimony of David Winter. The Staff proposes to true-up its revenue requirement calculation through March 31, 1997. The true-up audit would include all major items relating to revenue, expense, capital structure and rate base occurring on or before March 31, 1997.

5. Some of the major items which Staff believes need to be included in the true-up process include: plant in service, depreciation expense and reserve, revenues for customer growth, capital structure and the embedded cost of capital components. (Winter Direct, pp. 3-4).

6. Staff witness Winter's direct testimony at pp. 4-7 contains the Staff's isolated adjustment proposal. An isolated adjustment for which inclusion in the true-up audit may be appropriate is Empire's new State Line Unit 2 combustion turbine (SLCT2) and certain other events through May 31, 1997.

7. If the SLCT2 is determined by Staff to be in-service and used and useful by May 31, 1997, the Staff proposes an isolated adjustment for amounts actually paid by Empire to Westinghouse Electric Corporation (the company that is responsible for the bulk of the total costs of constructing SLCT2 for Empire under a fixed price "turnkey" construction agreement) through May 31, 1997 for inclusion in rates in this proceeding. For SLCT2 construction costs not covered under the turnkey Westinghouse contract, the Staff's proposal would be to reflect those costs in the true-up revenue requirement if SLCT2 is found to be in-service at or before May 31, 1997, and appropriate documentation concerning such costs is provided to the Staff five working days prior to the true-up hearing.

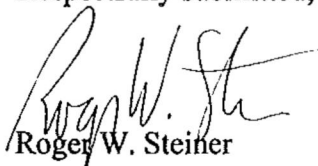
8. The following are some of the revenue requirement categories for the SLCT2 that the Staff recommends be reflected in the true-up if the Staff's in-service criteria are met: plant in service, fuel inventories for SLCT2, fuel and purchase power expense to reflect addition of SLCT2 to Empire's system, depreciation expense for SLCT2, operations and maintenance other than fuel for SLCT2. (Winter Direct, p.5).

9. If SLCT2 is determined by the Staff to be in-service at May 31, 1997, the Staff will also address as isolated adjustments: 1) the decrease in Empire's demand capacity charges effective June 1, 1997; 2) Empire's finalized letter agreement with Williams Natural Gas Company concerning firm gas transportation service for the State Line combustion turbine unit 1; 3) certain transmission line projects scheduled to be completed near the time SLCT2 is in-service; 4) certain State Line combustion turbine unit 1 costs that were not allowed in Empire's previous rate case due to failure to meet required NOx emission standards, if such standards are met by May 1997. The costs associated with these specific items would be included in the Staff's true up revenue requirement recommendation if: 1) the in-service criteria established by the Staff is successfully complied with by Empire; 2) appropriate documentation is provided to the Staff five working days before the true-up hearing for inclusion in the true-up revenue requirement.

10. The Staff expects to perform its true-up audit early in May 1997, following initial hearings for this case scheduled for April 28 through May 2. The Staff requests a true-up hearing sometime during the last two weeks of May, 1997.

Wherefore, the Staff requests the Commission issue a true-up order in accordance with the above and the direct testimony of Staff witness Winter.

Respectfully submitted,

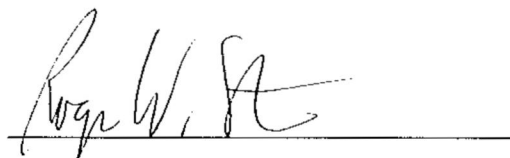


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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 13th day of February, 1997.



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Revised: February 13, 1997

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