

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

In the Matter of the Application of The Empire)	
District Electric Company for an Accounting Order)	<u>Case No. EO-2009-0233</u>
Concerning Reclassification of Certain Transmission)	
and Distribution Facilities.)	

**MODIFICATION OF STAFF RECOMMENDATION
TO ELIMINATE PROVISIONAL NATURE OF
PROPOSED GRANT OF ACCOUNTING AUTHORITY**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and, based on additional information received since its prior recommendation that is set out in its Memorandum attached hereto as Appendix A, the Staff modifies its recommendation to eliminate the provisional nature of the accounting authority the Staff previously recommended the Commission grant to The Empire District Electric Company.

WHEREFORE, the Staff of the Missouri Public Service Commission recommends the Commission grant Empire until the effective date of new rates in its next general electric rate proceeding before this Commission the relief it requests, *i.e.*, issue an order that 1) grants Empire accounting authority to make no changes to the current classification of investment in transmission and distribution facilities recorded on Empire's books and records prior to January 1, 2008; 2) accepts, as reasonable, Empire's methodology used to determine which of its transmission and distribution assets are Transmission Facilities and the resulting determinations by Empire regarding transmission and distribution assets placed in service prior to January 1, 2008, as described in its application; and 3) authorizes Empire to utilize the SPP criteria and definition to classify transmission and distribution assets placed in service after January 1, 2008.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
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Missouri Bar No. 35512

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 12th day of May 2009.

/s/ Nathan Williams

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2009-0233, The Empire District Electric Company

FROM: Mark L. Oligschlaeger, Auditing Department
Alan J. Bax, Energy Department

s/s Mark L. Oligschlaeger 05/12/09
Project Coordinator / Date

s/s Nathan Williams 05/12/09
General Counsel's Office / Date

SUBJECT: Staff's Revised Recommendation for Approval of The Empire District Electric Company's Application for an Accounting Order Concerning Reclassification of Certain Transmission and Distribution Facilities

DATE: May 12, 2009

On December 1, 2008, The Empire District Electric Company (Empire or Company) filed its Application concerning reclassification of certain transmission and distribution plant facilities. Specifically, Empire requested that the Missouri Public Service Commission (Commission) issue an order: 1) granting Empire accounting authority to make no changes to the current classification of investment in transmission and distribution facilities recorded on Empire's books and records prior to January 1, 2008; 2) accepting, as reasonable, Empire's methodology used to determine which of its transmission and distribution assets are Transmission Facilities and the resulting determinations by Empire regarding transmission and distribution assets placed in service prior to January 1, 2008; 3) authorizing Empire to utilize the Southwest Power Pool (SPP) criteria and definition to classify transmission and distribution assets placed in service after January 1, 2008; and 4) granting such further relief as the Commission shall find to be reasonable.

The Staff filed its initial recommendation to the Commission concerning Empire's application on February 20, 2009. A more complete description of the background of the Company's instant application, and the Staff's investigation of Empire's requests, can be found there.

In its February 20, 2009 filing, the Staff recommended that the accounting authority requested by Empire in this Application be granted by the Commission on a temporary basis only, to expire upon the effective date of new rates resulting from Empire's next general rate proceeding. The rationale for granting the Company's requests on a temporary basis was the uncertainty of how these requests would impact the ongoing level of transmission revenues received by it from the SPP, as well as the uncertainty of how Empire's other retail jurisdictions would deal with the identical applications filed by the Company in those states. Given this uncertainty, the Staff opined that a decision on whether to grant this authority on a permanent basis would best be made in an upcoming rate proceeding, when additional information on these points would be available.

On March 2, 2009, Empire filed a response to the Staff's recommendation in this proceeding, objecting to the temporary nature of the Staff's approval recommendation.

Since the filing of the Staff's initial recommendation in this proceeding, the Staff has received additional information from Empire directly pertaining to the Staff's concerns expressed within its February 20, 2009 filing, as described below.

Regarding the impact of Empire's plant reclassification requests on SPP transmission revenue levels, Empire has provided evidence that reclassification of transmission and distribution plant installed prior to 2008 under the SPP classification criteria would tend to slightly reduce its level of transmission revenue recovery from the SPP if, in fact, its requested reclassification waiver for pre-2008 plant is not granted by its retail rate jurisdictions. A reduction in SPP transmission revenues would result in an increase in Empire's Missouri jurisdictional revenue requirement, all other things being equal.

Regarding the actions of Empire's other retail rate regulators, the Company provided documentation illustrating that the Company's application had been granted in total by the Kansas Corporation Commission; and that the Oklahoma Corporation Commission Staff had recommended approval of Empire's application in total by its Commission, without any opposition by other parties, though that Commission itself has not yet acted upon the request. The Arkansas Public Service Commission (Arkansas) has yet to take action on Empire's request, though according to the Company no concerns had been expressed by the Arkansas Staff to date concerning the request.

Based upon this additional information, the Staff now believes it is unlikely that adoption of the Company's requests in this Application would result in a material change, either up or down, in Empire's Missouri jurisdictional revenue requirement in future rate proceedings. Further, the Staff believes it is also unlikely that there will be any major deviation from the course of action recommended in this filing by the Company's retail rate regulators in its other jurisdictions regarding these requests.

For the reasons discussed above, the Staff is revising its initial recommendation to the Commission in this matter to recommend permanent approval of the Company's request. The Staff wishes to be clear that this revised recommendation is primarily premised upon the representations of Empire concerning the projected impact of the Company's reclassification actions on their ongoing level of transmission revenues from SPP. The Staff still intends to verify the accuracy of the Company's representations concerning this matter in Empire's next general rate proceeding. The Staff also recommends that the Commission reflect in any Order approving this application its standard "no ratemaking" language; i.e., that any approval of this application will not be considered as binding in any way on the Commission regarding the ratemaking treatment afforded to Empire regarding any of its cost of service components in subsequent rate proceedings.

Therefore, the Staff recommends that the Commission issue an Order: 1) granting Empire accounting authority to make no changes to the current classification of investment in transmission and distribution facilities recorded on Empire's books and records prior to January 1, 2008; 2) accepting, as reasonable, Empire's methodology used to determine which of its transmission and distribution assets are Transmission Facilities and the resulting determinations by Empire regarding transmission and distribution assets placed in service prior to January 1, 2008; 3) authorizing Empire to utilize the SPP criteria and definition to classify transmission and distribution assets placed in service after January 1, 2008; and 4) granting such further relief as the Commission shall find to be reasonable.

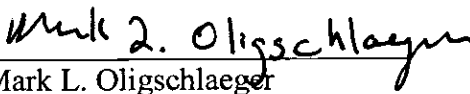
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AFFIDAVIT OF MARK L. OLIGSCHLAEGER


STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Memorandum/Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Memorandum/Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.

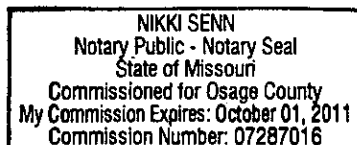


Mark L. Oligschlaeger

Subscribed and sworn to before me this 12th day of May, 2009.



Nikki Senn
Notary Public



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[illegible]

Alan A Bax

Subscribed and sworn to before me this 12th day of May, 2009.

