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May 15, 2001

Mr. Dale H. Roberts
Secretary/Chief Regulatory Law Judge
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED³
MAY 15 2001
Missouri Public
Service Commission

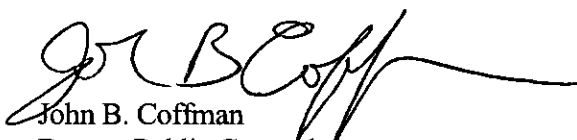
RE: The Empire District Electric Company
Case No. ER-2001-299

Dear Mr. Roberts:

Enclosed for filing in the above-referenced case please find the original and eight copies of **Position Statements of the Office of the Public Counsel**. Please "file" stamp the extra-enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,


John B. Coffman
Deputy Public Counsel

JBC:jb

cc: Counsel of Record

FILED
MAY 15 2001

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In The Matter Of The Empire District Electric)
Company's Tariff Sheets Designed to Implement)
a General Rate Increase for retail Electric)
Service Provided to Customers in the Missouri)
Service Area of the Company.)

Case No. ER-2001-299
Tariff No. 200100518

POSITION STATEMENTS OF THE OFFICE OF THE PUBLIC COUNSEL

COMES NOW the Office of the Public Counsel (Public Counsel), and for its position statements on those issues contained in the May 14, 2001 List of Issues, states as follows:

1. Cost of Service - Depreciation

A. Should Empire's test year depreciation expense be adjusted?

(1) What are the appropriate average service lives for plant in service other than at State Line Power Plant?

Public Counsel supports the position of Staff on this issue.

(2) How shall the net salvage component be treated?

Public Counsel supports the position of Staff on this issue.

B. How shall the depreciation for plant and facilities at State Line Power Plant be calculated?

(1) Should future additional plant investments be recognized?

Public Counsel supports the position of Staff on this issue.

(2) What are the appropriate average service lives for plant investment?

Public Counsel supports the position of Staff on this issue.

(3) How shall the net salvage component be treated?

Public Counsel supports the position of Staff on this issue.

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2. Cost of Service - Bad Debt

Shall the Empire's Bad Debt expense be allowed to follow changes in Missouri jurisdictional revenues?

Public Counsel supports the position of Staff on this issue.

3. Payroll - Incentive Pay

Shall discretionary, performance based, incentive pay for employees be allowed?

Public Counsel supports the position of Staff on this issue.

4. Class Cost of Service/Rate Design

(a) What should be the appropriate method of class cost of service allocation in this case?

Public Counsel believes Public Counsel's class cost of service study represents an appropriate method of class cost of service allocation in this case. For allocating production and transmission plant costs, Public Counsel recommends that the Commission reject the average and excess method of Company and Praxair and accept either the Staff's time-of-use method or the Public Counsel's 12 NCP peak and average method. Public Counsel's 12 NCP peak and average method is a reasonably close proxy to the time-of-use method. (Hu Direct)

(b) What is the appropriate allocation of any increase in revenues to customer classes?

Public Counsel believes that an appropriate class allocation of revenue increases should balance movement towards class cost of service with rate impact and affordability considerations. Public Counsel recommends that the Commission adopt Public Counsel's rate design which moves half way toward the results of Public Counsel's class cost of service study. (Hu Rebuttal, Schedule HH REB-1)

(c) What are the appropriate adjustments to rates for the various customer classes?

If the Commission decides in this case that an increase in revenues should be applied to the residential class, Public Counsel recommends that the residential customer charge be raised by the same percentage

as the percentage increase in residential class revenues. (Hu Direct, page 15)

(d) What is the appropriate rate design treatment of the Interim Energy Charge?

Public Counsel recommends spreading the revenue increase excluding the Interim Energy Charge (IEC) according to the Public Counsel's rate design. The IEC should be allocated to each class on the basis of \$0.0054 per kwh and it should be reflected separately on all Empire Missouri rate schedules.

5. Capital Structure/Rate of Return

(a) What capital structure is appropriate for Empire?

The Commission should recognize Company's actual capital structure at the end of the test year in this case (Common Equity 41.86%; Long-term debt 58.14 %). (Burdette Direct, p. 4).

(b) What return on common equity is appropriate for Empire?

Public Counsel witness Mark Burdette performed a Discounted Cash Flow analysis as well as a Capital Asset Pricing Model to calculate a return on common equity recommendation for Company in the range of 10.0% to 10.25%. (Burdette Direct, pp.7-19).

6. State Line Power Plant and Energy Center

(a) What are the appropriate capital costs for inclusion in rate base for the State Line Combined Cycle Unit?

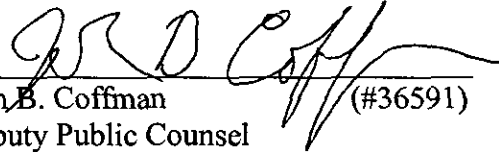
Public Counsel supports the position of Staff on this issue.

(b) What are the appropriate expenses for Operation and Maintenance at the State Line Power Plant and the Empire Energy Center?

Public Counsel supports the position of Staff on this issue.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By:  (#36591)

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this 15th day of May 2001:

Dennis L. Frey
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Gary W. Duffy
Brydon, Swearengen & England
P. O. Box 456
Jefferson City, MO 65102

