

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

In the Matter of the Application of The)
Empire District Electric Company for authority)
to utilize Construction Accounting for its) Case No. _____
investments Related to the Plum Point Power)
Generating Unit.)

APPLICATION

COMES NOW The Empire District Electric Company (“Empire” or “the Company”), and for its application for authority to utilize construction accounting for its investments related to the Plum Point Generating Unit (“Plum Point”), respectfully states as follows to the Missouri Public Service Commission (“Commission”):

SUMMARY

This application requests a Commission order which authorizes Empire to utilize construction accounting in connection with its investments in Plum Point in accordance with the terms of a Non-Unanimous Stipulation and Agreement (“the Agreement”) entered into among Empire and the Signatory Parties to Case No. EO-2005-0263, concerning Empire’s Experimental Regulatory Plan, as well as certain parties to Empire’s now pending electric rate case, Case No. ER-2010-0130. The Agreement has been approved by the Commission by order issued March 3, 2010 in Case No. ER-2010-0130.

APPLICANT

1. Empire is a Kansas corporation with its principal office and place of business at 602 South Joplin Avenue (P.O. Box 127), Joplin, Missouri 64801 (64802). Empire is engaged in the business of providing electric and water utility services in Missouri to customers in its service areas.

2. Empire is an “electrical corporation,” a “water corporation,” and a “public utility” as those terms are defined in Section 386.020 RSMo 2000, and is subject to the jurisdiction and supervision of the Commission as provided by law.

3. Empire has no pending or final judgments or decisions against it from state or federal regulatory agencies or courts which involve customer service occurring within the three (3) years immediately preceding the filing of this application. Empire has no overdue Commission annual reports or assessment fees.

4. Empire’s documents of incorporation were filed with the Commission in Case No. EF-94-39 and said documents are incorporated herein by reference in accordance with 4 CSR 240-2.060(1)(G). A Certificate of Authority from the Missouri Secretary of State to the effect that Empire, a foreign corporation, is authorized to do business in the State of Missouri, was filed with the Commission in Case No. EM-2000-369 and is also incorporated by reference.

5. Pleadings, notices, orders and other correspondence and communications concerning this application and proceeding should be addressed to the undersigned counsel and to:

Kelly Walters
The Empire District Electric Company
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CONSTRUCTION ACCOUNTING

6. “Construction Accounting,” as used in this application, is as defined in the Agreement.

7. “Fully Operational and Used for Service,” as used in this application is as defined in the Agreement.

COMMISSION AUTHORITY

8. The Commission has the authority to prescribe by order the accounts in which particular outlays and receipts shall be entered, charged or credited. Section 393.140(8), RSMo.

CONSTRUCTION ACCOUNTING FOR PLUM POINT

9. Empire is a part owner of the 665-megawatt coal-fired Plum Point generating unit now under construction and located near Osceola, Arkansas. Empire will initially own 50 megawatts of Plum Point at a cost of approximately \$88 million, without the impact of the allowance for funds used during construction. Empire has also entered into a purchased power agreement for an additional 50 megawatts with an option to convert the 50 megawatts covered by the purchased power agreement into an additional ownership interest in Plum Point in 2015. It is currently estimated that Plum Point will be placed in service during the summer of 2010.

10. Empire is also a part owner of the Iatan 1 generating facility as well as the Iatan 2 generating facility that is now under construction and located near Weston, Missouri. Empire will own approximately 100 MWs in Iatan 2 when construction is completed.

11. Empire’s investment in certain Iatan 1 environmental upgrades, its investment in Iatan 2, as well as its investments in certain other projects, was addressed by the Commission in its Case No. EO-2005-0263. In that case, the Commission was asked to approve a certain Stipulation and Agreement that has commonly been referred to as Empire’s “Experimental Regulatory Plan.” By its Order Approving Stipulation and Agreement issued August 2, 2005, in Case No. EO-2005-0263, the Commission approved the Stipulation and Agreement and

Empire's Experimental Regulatory Plan. The stipulation and agreement in that case was said by the Commission to assist Empire in "meeting its needs for generation so that it can achieve its energy and capacity requirements" and to give Empire "an opportunity to own at least 100 MW of coal-fired generation to be built in Missouri." The stipulation and agreement was further said to strike a:

. . . reasonable and appropriate balance between the interests of Empire's customers and shareholders regarding Empire's participation in Iatan 2. The Agreement is designed to positively impact Empire's credit ratings. Thus Empire should have lower debt costs to pass on to consumers in the form of lower future rates.

12. The Experimental Regulatory Plan approved by the Commission provided that Empire could utilize Construction Accounting for its investments related to the environmental upgrades at Iatan 1 and its investments related to Iatan 2. By this application, Empire seeks similar authority from the Commission in connection with its investments in Plum Point.

13. Empire's investments in Plum Point were not a part of the Company's Experimental Regulatory Plan. Empire's need for additional coal generation, however, was known at that time. Furthermore, Plum Point has been contemplated and discussed with interested parties in the context of Empire's ongoing Integrated Resource Plan process.

14. Plum Point and Iatan 2 were originally scheduled to be in service in the June 2010 timeframe. Due to various circumstances, however, the construction schedules for these plants have now been adjusted and the projected in-service dates no longer appear to be generally contemporaneous or synchronized.

15. The consequence for Empire of the Plum Point investments going into service before the Company has the opportunity to address the recovery of these costs in rates is extremely significant. It is estimated that when Plum Point goes into service, Empire will

experience at least \$* _____* in additional monthly expenses associated with that generating unit.

16. In response to this situation, as indicated, Empire and the Signatory Parties to Case No. EO-2005-0263, concerning Empire's Experimental Regulatory Plan, as well as certain parties to Empire's now pending electric rate case, Case No. ER-2010-0130, entered into the Agreement, which, among other things, provides that Empire may seek construction accounting treatment for the Company's investments in Plum Point not included in the revenue requirement used to determine Empire's rates.

ORDER

17. In view of the foregoing, Empire requests a Commission order authorizing the Company to utilize Construction Accounting as provided in the Agreement.

WHEREFORE, Empire respectfully requests that the Commission issue an Order as described, and such further orders as the Commission should find reasonable and just.

Respectfully submitted,



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ATTORNEYS FOR THE EMPIRE DISTRICT
ELECTRIC COMPANY

NON-PROPRIETARY

State of Missouri)
)
County of Newton ss

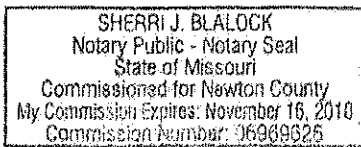
I, Kelly S. Walters, having been duly sworn upon my oath, state that I am the Vice President - Regulatory and Services of The Empire District Electric Company, that I am duly authorized to make this affidavit on behalf of The Empire District Electric Company, that the matters and things stated in the foregoing application are true and correct of the best of my information, knowledge and belief.

Kelly S. Walters
Kelly S. Walters

Subscribed and sworn before me this 23rd day of March, 2010.

Sherril J. Blalock

My Commission Expires: Nov. 16, 2010



CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on March 23, 2010, to the following:

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