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December 15, 2000

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FILED

DEC 15 2000

Missouri Public
Service Commission

RE: Case No. ER-2001-299 – 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

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF TRUE-UP RECOMMENDATION AND CONCURRENCE IN MOTION OF THE EMPIRE DISTRICT ELECTRIC COMPANY TO RESCHEDULE TRUE-UP HEARING.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Steven Dottheim
Chief Deputy General Counsel
(573) 751-7489
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Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION

FILED

DEC 15 2000

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

**STAFF TRUE-UP RECOMMENDATION AND CONCURRENCE IN MOTION OF THE
EMPIRE DISTRICT ELECTRIC COMPANY TO RESCHEDULE TRUE-UP HEARING**

Comes now the Staff of the Missouri Public Service Commission (Staff) in response to the November 16, 2000 Suspension Order And Notice of the Missouri Public Service Commission (Commission) directing the Staff to file on or before December 15, 2000 a pleading stating its recommendation concerning a true-up. In addition, the Staff files this pleading in concurrence with The Empire District Electric Company's (EDE) Motion To Reschedule True-Up Hearing. In response to the Commission's Order and EDE's Motion, the Staff states as follows:

1. On November 30, 2000, pursuant to the Commission's November 16, 2000 Suspension Order And Notice, EDE filed its Request For True-Up which states, in part, as follows:

As reflected in the prepared direct testimony (p. 4) of Robert B. Fancher filed on November 3, 2000, Empire requests a true-up audit and hearing since the test year as updated will likely not include all of the appropriate costs of the new State Line Combined Cycle Plant, which is scheduled to be operational on June 1, 2001, and to have its costs booked by July 31, 2000. As a result, a true-up audit should be scheduled in August 2001 for the purpose of examining the costs related to the new generating facility.

EDE's pleading further states, in part, as follows:

The Commission has already reserved the week of June 18, 2001, for a true-up hearing in this case. (See, Ordered paragraph 12 of November 16 Order) While the reservation of time for a true-up hearing is appropriate, the dates need to be adjusted to deal with the fact that the costs subject to the true-up will not be booked and available for audit until July 31, 2000. A hearing before that time would not be suitable. Empire has discussed suitable dates for a true-up hearing with representatives of the Staff of the Commission. The Staff has suggested to Empire that August 22 and 23 are appropriate dates for the Commission to schedule as a true-up hearing. These dates are acceptable to Empire. Therefore, Empire moves that the Commission reschedule the true-up hearing from the week of June 18, 2001 to August 22 and 23, 2001.

The Staff concurs in EDE's Motion To Reschedule True-Up Hearing which recommends that the Commission move the true-up hearing from the week of June 18, 2001 to August 22 and 23, 2001. As indicated in the Staff's Test Year Recommendation filing, the Staff concurs in EDE's recommended test year of the twelve (12) months ended December 31, 2000.

2. Based on the test year and true-up pleadings filed by EDE on November 30, 2000 and conversations of an EDE representative and a Staff representative, the Staff has reason to believe that there is no disagreement between EDE and the Staff on test year and true-up matters, although EDE and the Staff may use terms such as "update" and "true-up" differently. The Commission in its November 16, 2000 Suspension Order And Notice scheduled an early prehearing conference for December 21, 2000. The Staff would suggest that in addition to discussing a procedural schedule at the December 21, 2000 early prehearing conference, EDE, the Staff and the other parties should attempt to determine whether there are any differences in their proposals respecting test year and true-up, and advise the Regulatory Law Judge of the results of their discussion.

3. The Staff proposes that material, known and measurable changes reasonably beyond the proposed test year of the twelve (12) months ended December 31, 2000, which

maintain a proper matching of revenues, expenses and rate base, be included in the Staff's filing of its direct testimony and schedules, the date for which has yet to be set by the Commission.

The items which the Staff recommends be trued-up are as follows:

RATE BASE:

- (1) Plant in service, including State Line Combined Cycle Plant (SLCC) (a) if determined to be "fully operational and used for service" (Section 393.135 RSMo 1994), which is scheduled for June 1, 2001, and (b) related items for which EDE has received an invoice, approved and authorized payment, recorded payment in its accounts payable system and are auditable at the time of the true-up audit
- (2) Depreciation reserve
- (3) Deferred taxes
- (4) Fuel inventories for oil and coal – prices
- (5) Related cash working capital

CAPITAL STRUCTURE:

- (1) Rate of return – embedded cost of long-term debt, short-term debt and preferred stock
- (2) Capital structure

INCOME STATEMENT:

- (1) Revenues and kWh sales to account for customer growth
- (2) Payroll – employee levels, current wage rates, payroll related benefits and payroll taxes
- (3) Fuel prices for gas, oil and freight
- (4) Purchased power prices
- (5) System loads

- (6) Fuel and purchased power expense to reflect fuel prices, purchased power prices and net system load (i.e., re-run production cost model)
- (7) Rate case expense
- (8) Property insurance
- (9) Depreciation expense
- (10) Property taxes – if applicable and appropriate
- (11) Income tax effects

Additionally, the allocation factors will be trued-up to maintain the relationship of the allocators and related items at a consistent point in time.

EDE states in its Test Year Recommendation filed on November 30, 2000 that “Empire anticipates a postage increase in 2001, and therefore may also propose certain isolated changes such as that.” A postage increase is an item which the Staff normally would recognize, but as to “certain isolated changes such as that,” which are not identified in EDE’s pleading, the Staff can only indicate that it would look at such items on a case-by-case basis.

4. To be included in the true-up audit, standard monthly documentation must be available for all applicable items (i.e., monthly operating reports, EDE ledgers and supporting invoices) which assure the Staff that the item in fact has occurred or is in service, has been booked, payment has been recorded in EDE’s accounts payable system and is auditable at the time of the true-up audit.

EDE notes in its Request For True-Up And Motion To Reschedule True-Up Hearing that:


... the test year as updated will likely not include all of the appropriate costs of the new State Line Combined Cycle Plant, which is scheduled to be operational on June 1, 2001, and to have its costs booked by July 31, 2001. As a result, a true-up audit and hearing should be scheduled in August 2001 for the purpose of examining the costs related to that new generating facility.

The Staff is hopeful that the costs of the SLCC, which is scheduled to be operational on June 1, 2001, will be able to be booked earlier than July 31, 2001. Regardless, the Staff will want to be on site at EDE conducting its true-up audit earlier than August 2001.

Wherefore the Staff submits its recommendation concerning a true-up and concurs in EDE's Motion To Reschedule True-Up Hearing as indicated hereinabove.

Respectfully submitted,

DANA K. JOYCE
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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 15th day of December 2000.



Service List for
Case No. ER-2001-299
Verified: December 15, 2000 (RR)

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