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September 19, 2001

ROBERT J. QUINN, JR.
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ROBERT SCHALLENBERG
Director, Utility Services
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Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

FILED

SEP 19 2001

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

Missouri Public
Service Commission

RE: Case No. ER-2001-299

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF'S REPLY TO THE RESPONSE OF THE EMPIRE DISTRICT ELECTRIC COMPANY TO STAFF'S SCENARIOS.**

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,

Dennis L. Frey
Associate General Counsel
(573) 751-8700
(573) 751-9285 (Fax)
dfrey03@mail.state.mo.us

DLF:ccl
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²

SEP 19 2001

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'S REPLY TO THE RESPONSE OF THE EMPIRE DISTRICT
ELECTRIC COMPANY TO STAFF'S SCENARIOS**

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission"), and for its Reply To The Response Of The Empire District Electric Company ("Empire") To Staff's Scenarios, respectfully states as follows:

1. On September 14, 2001, in response to the Commission's September 13, 2001 Order Directing Filing Of Scenarios, the Staff filed a pleading (Scenarios), responding to the four scenarios set forth in that Order. Each of the scenario responses incorporated the seven assumptions specified in that Order, along with the 10.25% return on equity assumption specified in the Commission's September 14, 2001 Order Regarding Scenarios.

2. The four scenarios for which the Commission ordered responses are as follows:

A.1. Empire's proposal regarding the Cost of Service-Depreciation issues shall be utilized, including Empire's proposal regarding depreciation for plant and facilities at the State Line Power Plant.

A.2. Staff's proposal regarding the Cost of Service-Depreciation issues shall be utilized, including Staff's proposal regarding depreciation for plant and facilities at the State Line Power Plant.

A.3. The Commission rejects both Empire's position and the Staff's position regarding the depreciation issues, and leaves depreciation rates at the currently authorized levels. However, Empire's proposal for calculating depreciation for plant and facilities at the State Line Power Plant shall be utilized.

A.4. The Commission rejects both Empire's position and the Staff's position regarding the depreciation issues, and leaves depreciation rates at the currently authorized levels. However, Staff's proposal for calculating depreciation for plant and facilities at the State Line Power Plant shall be utilized.

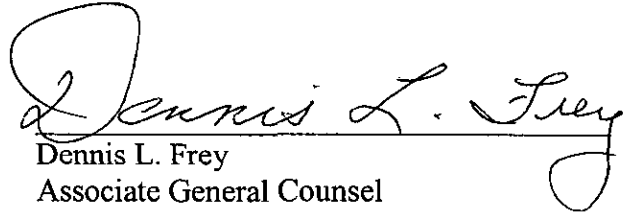
3. On September 17, 2001, The Empire District Electric Company ("Empire" or "Company") filed its Response To Staff's Scenarios. In its pleading Empire correctly points out that the Staff did not respond to the additional scenarios that would be created by breaking down the values associated with two separate and distinct depreciation issues; namely, net salvage value and service lives. The Staff agrees with the Company that depreciation could be broken down into two issues (i.e., net salvage and service lives) that are independent of each other. The Staff wishes to make clear, however, that the dollars associated with reserve deficiency, called "Revenue Deficiency Effect of Above Issues" in the Company's September 17 Response, are linked to the service lives proposed by Empire. In other words, reserve deficiency is not, in and of itself, a separate issue. Moreover, only a portion of the reserve deficiency is related to existing plant, with the remainder associated with the State Line Combined Cycle plant.

4. In its Response, Empire also stated that the difference in revenue requirement between Commission-generated Scenarios A1 and A2 should be \$10,596,718, which is consistent with the True-Up Reconciliation filed by the Staff on August 31, 2001. The (Scenario A1 versus A2) difference calculated from the Staff's valuations, filed on September 14, is \$10,884,542, which is \$287,824 higher. The Staff's calculations, using EMS runs, are based on the specific assumptions set out by the Commission, and account for all interactions among the issues, including the associated tax effects. The Staff therefore asserts that the correct valuations of the scenarios specified by the Commission are those filed by the Staff on September 14, 2001.

5. If the Commission desires that the Staff make additional EMS runs to calculate the revenue requirement effect of additional scenarios, or of a breakdown of the scenarios previously requested, the Staff will make every effort to provide those calculations on a timely basis.

Respectfully submitted,

DANA K. JOYCE
General Counsel

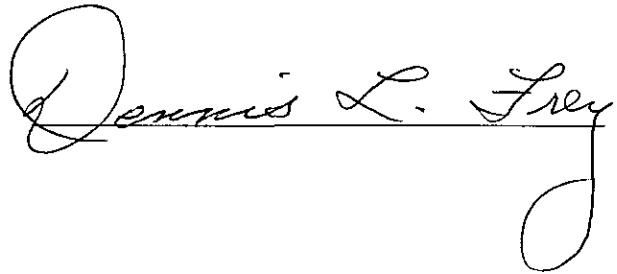
A handwritten signature in cursive script, reading "Dennis L. Frey". The signature is written in black ink and is positioned above a horizontal line.

Dennis L. Frey
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Missouri Bar No. 44697

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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 19th day of September 2001.

A handwritten signature in cursive script, reading "Dennis L. Frey". The signature is written in black ink and is positioned above a horizontal line.

**Service List for
Case No. ER-2001-299
Verified: September 17, 2001 (ccl)**

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