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May 15, 2001

FILED³

MAY 15 2001

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Executive Secretary
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

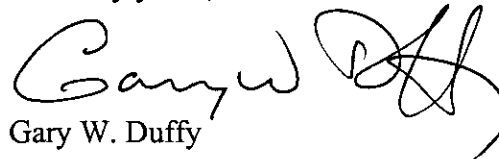
RE: Case No. ER-2001-299
The Empire District Electric Company

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and eight copies of the Statement of Position on List of Issues of The Empire District Electric Company.

If you have any questions, please give me a call.

Sincerely yours,


Gary W. Duffy

Enclosures

cc w/encl:

Office of Public Counsel
Office of the General Counsel
Stuart W. Conrad
Martin Penning

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

FILED³
MAY 15 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) Case No. ER-2001-299
Retail Electric Service Provided to Customers)
in the Missouri Service Area of the Company)

STATEMENT OF POSITION ON LIST OF ISSUES

COMES NOW The Empire District Electric Company ("Empire"), by and through its counsel, and for its statement of position on the List of Issues filed in this case on May 14, 2001, respectfully states as follows:

Empire hereby restates the issues from the List of Issues and presents its position on each.

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?

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

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

(1) Should future additional plant investments be recognized?

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

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

Empire's position: Empire believes its existing authorized depreciation rates are inadequate and do not allow Empire to recover plant investment costs during the service life of the property. Empire believes this can be remedied by the Commission correctly recognizing equipment service lives and net

salvage costs in the manner recommended by Mr. Loos. Empire believes proper treatment of depreciation is necessary for both its existing facilities and those to be added in the future, especially the State Line Combined Cycle Unit.

2. Cost of Service - Bad Debt

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

Empire's position: Empire does not believe the bad debt allowance currently recommended by Staff is adequate. Empire believes the value it supports in the testimony of Mr. Gipson is conservative and that the amount approved by the Commission should follow the new level of Missouri jurisdictional revenues authorized by the Commission in this case.

3. Payroll - Incentive Pay

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

Empire's position: Empire believes performance based incentive pay is a cost-effective approach that provides benefits to both shareholders and customers. As a result, it should be allowed as a valid expense, as reflected in the rebuttal testimony of Mr. McKinney.

4. Class Cost of Service /Rate Design

- (a) What should be the appropriate method of class cost of service allocation in this case?
- (b) What is the appropriate allocation of any increase in revenues to customer classes?
- (c) What are the appropriate adjustments to rates for the various customer classes?
- (d) What is the appropriate rate design treatment of the Interim Energy Charge?

Empire's position: Empire believes it is appropriate in this case to increase rates to all classes equally.

5. Capital Structure/Rate of Return

(a) What capital structure is appropriate for Empire?

Empire's position: The appropriate capital structure for Empire for purposes of this case is 52.5% debt and 47.5% common equity.

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

Empire's position: The appropriate rate of return on common equity for Empire for purposes of this case is in a range from 11.5% - 12.0%.

6. State Line Power Plant and Energy Center

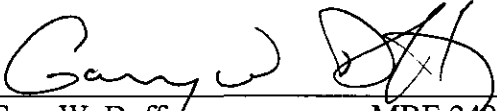
(a) What are the appropriate capital costs for inclusion in rate base for the State Line Combined Cycle Unit?

Empire's position: Empire believes the costs it incurred during construction of the State Line Combined Unit are just and reasonable and suitable for inclusion in rate base. However, Empire understands that a settlement has just been reached in principle on this issue which calls for less than the actual costs to be included in rate base, and Empire is presently in negotiations with the parties to reduce that agreement to writing for presentation to the Commission.

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

Empire's position: Empire believes it should be allowed an adequate amount for the expenses associated with the operations and major maintenance of the State Line Power Plant and the Empire Energy Center, consistent with the testimony of Mr. Beecher and Mr. Groninger.

Respectfully submitted,



Gary W. Duffy MBE 24905

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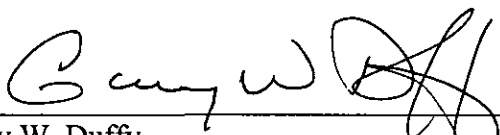
Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing document was sent by either hand delivery or U.S. Mail, first class postage prepaid, this 15th day of May, 2001 to the following:

John Coffman
Office of the Public Counsel
Governor State Office Building
Jefferson City, Missouri

Denny Frey
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Missouri Public Service Commission
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