Exhibit No.:	
Issues:	Payroll; Payroll Related Benefits; Payroll Taxes; Pensions; Other Post-Employment Benefits; Outside Services; Merger Costs; Miscellaneous Expenses
Witness:	Janis E. Fischer
Sponsoring Party:	MoPSC Staff
Type of Exhibit:	Direct Testimony
Case No.:	ER-2001-299
Date Testimony Prepared:	April 3, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

JANIS E. FISCHER

Exhibit No. 51
Date 5/29/01 Case No. ER-2001-299
Reporter KRM

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2001-299

Jefferson City, Missouri
April 2001

****Denotes Highly Confidential Information****

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TABLE OF CONTENTS OF

DIRECT TESTIMONY OF

JANIS E. FISCHER

DIRECT TESTIMONY

OF

JANIS E. FISCHER

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER–2001-299

Q. Please state your name and business address.

A. Janis E. Fischer, 3675 Noland Road, Suite 110, Independence, Missouri 64055.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Auditor with the Missouri Public Service Commission (Commission).

<u>Background of Witness</u>

Q. Please describe your educational background.

A. I graduated from Peru State College, Peru, Nebraska and received a Bachelor of Science degree in Education (Basic Business) and Business Administration. In May 1985 I completed course work and earned a Bachelor of Science degree in Accounting. I passed the Uniform Certified Public Accountant examination in May 1994 and received my license to practice in March 1997. Prior to my employment at the Commission, I worked over six years as the office and accounting supervisor for the Falls City, Nebraska Utilities Department (Utilities Department).

While with the Utilities Department, I completed water and electric rate reviews, developed procedures for PCB monitoring and disposal, implemented a program to verify the accuracy of remote water meters, supervised office staff and handled customer complaints. I assisted with the acquisition of Falls City's natural gas distribution system from Kansas Power and Light Company, predecessor company of Western Resources, Inc. After the acquisition, I compiled asset records for the natural gas distribution system for the utility, nominated gas supplies for the municipal power plant, monitored gas transportation customer loads and billed transportation customers. I was appointed by the Board of Public Works to the Nebraska Public Gas Agency (NPGA) Board and later elected Vice Chairperson of the Board. NPGA is comprised of members from municipal natural gas systems who collectively purchase natural gas and acquire natural gas wells to supply gas to municipal gas systems and power plants at reduced costs.

I also was employed as a staff accountant with the accounting firm of Cuneo, Lawson, Shay and Staley, PC, in Kansas City, Missouri, for approximately two years. While employed as a staff accountant, I assisted in various audits, compilations and reviews of corporations and prepared individual and corporate state and federal tax returns. I researched tax issues, assisted with compliance audits and interacted with various clients.

Q. What has been the nature of your duties with the Commission?

A. I have directed and assisted with various audits and examinations of the books and records of public utilities operating within the state of Missouri under the jurisdiction of the Commission.

Q. Have you previously filed testimony before this Commission?

A. Yes. Please refer to Schedule 1, attached to this direct testimony, for a list of the major audits on which I have assisted and filed testimony.

Purpose of Testimony

Q. With reference to Case No. ER-2001-299, have you examined and studied the books and records of The Empire District Electric Company (Empire or Company) relating to the Company's filing in this case?

A. Yes, with the assistance of other members of the Commission Staff (Staff).

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to address postretirement benefits other than pension expense (OPEB), pension expense, payroll expense and related overtime, bonuses and management incentive plan (MIP), payroll-related taxes, 401(k) plan, other employee benefits, miscellaneous expenses, merger expenses and outside consulting fees.

Q. What adjustments are you sponsoring?

A. I am sponsoring the following income statement adjustments:

OPEBs	S-85.7, S-85.8, S-85.9
Pensions	S-85.6
Payroll	S-6.1, S-7.1, S-8.1, S-9.1, S-10.1, S-12.1, S-13.1, S-14.1, S-15.1, S-16.1, S-17.1, S-19.1, S-20.1, S-21.1, S-22.1, S-23.1, S-24.1, S-25.1, S-26.1, S-27.1, S-28.1, S-29.1, S-30.1, S-32.1, S-33.1, S-34.1, S-35.1, S-37.1, S-38.1, S-39.1, S-40.1, S-41.1, S-42.1, S-45.1, S-46.1, S-47.1, S-48.1, S-49.1, S-50.1, S-51.1, S-52.1, S-53.1, S-54.1, S-55.1, S-56.1, S-58.1, S-59.1, S-60.1, S-61.1, S-62.1, S-63.1, S-64.1, S-65.1, S-66.1, S-67.1, S-68.1, S-69.1, S-71.1, S-72.1, S-73.1, S-76.1, S-77.1, S-78.1, S-79.1, S-82.1, S-85.1, S-89.1, S-91.1

Payroll Related Taxes	S-95.1, S-95.2, S-95.3
401(k) Plan	S-85.3
Other Employee Benefits	S-85.10, S-85.11
Miscellaneous Expenses	S-10.3, S-51.3, S-56.3, S-61.2, S-67.3, S-72.3, S-73.4, S-77.6, S-80.6, S-85.5
Outside Services and Merger Expenses	S-69.3, S-80.7, S-82.2, S-89.6

OTHER POST-RETIREMENT EMPLOYMENT BENEFITS (OPEB) EXPENSE-FAS 106 AND PENSION EXPENSE-FAS 87

Q. Please provide a brief explanation of Statement of Financial Accounting Standards No. 106 (FAS 106).

A. FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, provides the accrual accounting method used in determining the annual expense and liability for providing OPEBs. This method was developed by the Financial Accounting Standards Board (FASB) and is required under Generally Accepted Accounting Principles (GAAP) for financial reporting purposes.

Q. Is the Commission required under GAAP or Missouri law to adopt SFAS 106 for determining pension expense for ratemaking purposes?

A. Yes, under Missouri law, the Commission is required by Missouri law (Section 386.315 RSMo), passed in 1994, to allow the recovery of OPEB expense as calculated under FAS 106. The Commission must adopt the FAS 106 method for ratemaking purposes as long as the assumptions used by the utility are considered reasonable, and the amounts collected in rates are externally funded by the utility.

Q. Please provide a brief description of Statement of Financial Accounting Standards No. 87 (FAS 87).

A. FAS 87, *Employers' Accounting for Pensions*, provides the accrual accounting method used in determining the annual expense and liability for providing pensions. This statement was also issued by the FASB and is considered GAAP for financial reporting purposes.

Q. Is the Commission required under GAAP or Missouri law to adopt FAS 87 for determining pension expense for ratemaking purposes?

A. No. However, since state law beginning in 1994 has required the adoption of FAS 106, the Staff has taken the position that consistent treatment of retirement costs requires the use of FAS 87 for determining pension expense for ratemaking purposes.

Q. Are the methods used in calculating pension expense under SFAS 87 and OPEB expense under SFAS 106 similar in many respects?

A. Yes. Many of the same actuarial and financial assumptions are used for both. Some of the assumptions used for both include:

Actuarial Assumptions

Employee Mortality
Employee Turnover
Retirement Age

Financial/Accounting Assumptions

Income Earned on Plan Assets
Future Salary Increases
Time Value of Money (Discount Rate)
Amortization Period for Gains and Losses
Use of Corridor Approach for Gain/Loss Recognition

Q. Why have you classified assumptions used in calculating SFAS 87 and SFAS 106 as either actuarial or financial/accounting?

A. The purpose of SFAS 87 and SFAS 106 is to provide uniform financial statement recognition of a company's total estimated liability for pensions and OPEBs and to reflect the annual cost of these benefits in the income statement ratably over the service life of the employee.

A qualified actuary must develop the actuarial assumptions required for these calculations, i.e., such as employee mortality.

Someone with a financial and/or accounting background on the other hand could develop all of the financial assumptions. For example, a decision as to the number of years to use for gain/loss amortization or use of the "corridor approach" for gain/loss amortization is a judgement made based upon the impact on the financial statements and/or impact on utility rates. Under the corridor approach, the amount amortized is the cumulative net gain or loss that exceeds ten percent of the greater of the pension liability or the value of pension plan assets. Use of the corridor approach results in the minimum amount of amortization of gains and losses allowed by the FASB.

Q. How does Empire determine the accrual of FAS 106 costs posted to FERC account 926.329, Health Expense – Electric?

A. Like other utility companies, Empire's annual cost for OPEBs is determined by an outside actuarial firm. DeFrain Mayer L.L.C. calculates the annual accrual for FAS 106 OPEB benefit costs. The OPEB amount provided by DeFrain Mayer is an accrual that represents the estimated future cost of providing OPEB benefits to current employees and existing retirees based upon the benefit plans offered by the

Company. Accrual accounting under FAS 106 requires that this accrual expense amount be charged to operations in the current year. However, Empire's method for recording FAS 106 cost is not entirely consistent with normal financial accounting for FAS 106 OPEB costs. The FAS 106 accrual represents all retiree benefit costs. Normally, the total actuarial determined FAS 106 accrual is booked to general ledger accounts, which include both capital and expense accounts.

Q. How does Empire's method of recording OPEB cost in its financial records differ from normal accounting practice?

A. Empire uses a bifurcated approach in recording FAS 106 OPEB costs rather than recognizing the total FAS 106 cost amount estimated by its actuarial firm. Empire is the only major utility in Missouri using this approach. The process works as follows:

1. DeFrain Mayer provides the total FAS 106 OPEB cost for the current year.
2. DeFrain Mayer also provides the estimated cost of benefits to be paid out in health care claims to existing retirees for the current year.
3. The difference between the total FAS 106 OPEB cost and the estimated benefits paid to existing retirees represents the incremental FAS 106 cost which exceeds benefit payments to existing retirees. This amount is then accrued evenly on Empire's books during the year.
4. The remaining FAS 106 costs booked by Empire during the year represent the cash transfers made by Empire to Voluntary Employees Beneficiary Association (VEBA) trusts used to provide current benefits.

Q. Why does the Staff take issue with Empire's method for accounting for FAS 106 OPEB costs?

A. Empire's method of accounting for FAS 106 OPEB costs will only match the total FAS 106 accrual provided by the actuarial firm when the estimated benefit payments to existing retirees matches the actual cash contribution amount paid during the year to the trust fund for benefit payments to retirees. In practice, an estimate at the beginning of the year will never match to the actual cash contribution to the trust fund for current retiree benefit payments.

The result of this accounting method will be that Empire's booked FAS 106 cost will either be higher or lower than the total FAS 106 accrual provided by the actuarial firm. This inaccuracy can be eliminated by simply booking the total FAS 106 accrual, as provided by DeFrain Mayer, consistent with accrual accounting methodology recommended for FAS 106 costs.

Q. Is the Staff recommending in this case that Empire change its accounting method for FAS 106 costs by accruing an amount equal to the total FAS 106 cost calculated by the Company's actuarial firm?

A. Yes. Using the total FAS 106 cost provided by DeFrain Mayer will eliminate the inaccuracy in the Company's current methodology and provide consistent FAS 106 accounting, with all other Missouri utility companies. This will allow the actuarially determined costs of FAS 106 to tie directly to the entries booked to Empire's general ledger.

Q. What is the basis for the Staff's recommended level of FAS 106 expense in cost of service for this case?

A. In response to Staff Data Request No. 111, Empire provided a copy of the 2000 actuarial valuation of OPEB costs under FAS 106. Adjustment S-85.8 adjusts the

FAS 106 OPEB costs booked in the test year ending December 31, 2000 to the amount provided in the 2000 actuarial report. (See Schedule 2). Adjustment S-85.7 adjusts the OPEB expenses reflected in the 2000 actuarial valuation to reflect a five-year amortization of the Unrecognized Net Gain balance, based upon a five-year average of the Unrecognized Net Gain/Loss balance from January 1, 1996 through January 1, 2000. (See Schedule 3). This adjustment effectuates the Staff's calculation of the FAS 106 OPEB cost which is then allocated to total Company expenses.

Q. What is the basis for the Staff's recommended FAS 87 pension expense level in this case?

A. In response to Staff Data Request No. 201, Empire provided the 2000 calculation of pension expense under FAS 87. The actuarial firm, Watson Wyatt, performed this calculation. Adjustment S-85.6 adjusts the test year pension expense to reflect the impact of amortizing a five-year average of the Unrecognized Net Gain Balance based upon an average balance for the five-year period January 1, 1996 through January 1, 2000 over five years. The level of pension expense for 2000 as calculated by Watson Wyatt only takes into account the December 31, 1999 calculation of the Unrecognized Net Gain Balance of $31,948,181 (total Company) amortized over five years. The Staff's recommended adjustment to FAS 87 pension cost calculated by Watson Wyatt is reflected on Schedule 4.

Q. Please explain the term "Unrecognized Net Gain/Loss" as it applies to calculating pension expense under FAS 87 and other postretirement benefits expense under FAS 106.

A. As explained earlier in my testimony, FAS 87 and FAS 106 are calculated using numerous actuarial, financial and accounting assumptions. When the actuary changes an assumption to reflect more current information based on updated actual experience data, a change in the total projected liability and/or assets under FAS 87 and FAS 106 will result. This change is accounted for as an unrecognized gain or loss depending upon the impact on the projected liability. The impact of these changes are reflected in expense under FAS 87 and FAS 106 by amortizing the Unrecognized Net Gain/Loss Balance over a period of time not to exceed the remaining service period of active plan participants.

Q. Please explain why the Staff is recommending that the Unrecognized Net Gain Balance, subject to amortization, be calculated based upon a five-year average balance instead of the current year balance.

A. Gains and losses under FAS 87 and FAS 106 result from changes in assumptions (changing the discount rate, for example) and from differences between estimated assumptions and actual results. In dealing with this issue in cases involving major utility companies in Missouri, differences between the expected return on funded assets and the actual return earned on those assets accounts for the majority of the balance in the Unrecognized Net Gain/Loss Balance. Annual differences between the expected rate of return assumption and the actual return earned are often so significant that the Unrecognized Net Gain/Loss Balance experiences considerable annual fluctuation (volatility).

Since the Unrecognized Net Gain/Loss Balance is amortized in calculating pension and OPEB cost under FAS 87 and FAS 106, significant volatility in the balance subject to amortization has an undesirable impact on the calculation of annual pension and OPEB expense for ratemaking purposes.

Using a five-year average balance to determine the Unrecognized Net Gain/Loss Balance subject to amortization mitigates the effect on rates of any significant volatility experienced.

Q. Has the five-year average balance method been used for any other Missouri utility companies to determine the Unrecognized Net Gain/Loss Balance to be amortized in calculating FAS 87 and FAS 106?

A. Yes. This method was stipulated to in rate cases respecting Missouri Gas Energy Company, Case No. GR-98-140, Laclede Gas Company, Case No. GR-98-374 and St. Joseph Light & Power Company, Case No. ER-99-247.

Q. Have any Missouri utilities filed rate cases including Staff's method of amortizing the FAS 87 and FAS 106 Unrecognized Net Gain/Loss Balance over five years?

A. Yes, MGE's Case No. GR-2001-292 was filed using a five-year amortization period. With respect to the current rate case, ER-2001-299, Empire also filed its direct filing using a five-year amortization period for gain/loss recognition under FAS 87 and FAS 106.

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Q. Please explain adjustments S-6.1, S-7.1, S-8.1, S-9.1, S-10.1, S-12.1, S-13.1, S-14.1, S-15.1, S-16.1, S-17.1, S-19.1, S-20.1, S-21.1, S-22.1, S-23.1, S-24.1, S-25.1, S-26.1, S-27.1, S-28.1, S-29.1, S-30.1, S-32.1, S-33.1, S-34.1, S-35.1, S-37.1, S-38.1, S-39.1, S-40.1, S-41.1, S-42.1, S-45.1, S-46.1, S-47.1, S-48.1, S-49.1, S-50.1, S-51.1, S-52.1, S-53.1, S-54.1, S-55.1, S-56.1, S-58.1, S-59.1, S-60.1, S-61.1, S-62.1, S-63.1, S-64.1, S-65.1, S-66.1, S-67.1, S-68.1, S-69.1, S-71.1, S-72.1, S-73.1, S-76.1, S-77.1, S-78.1, S-79.1, S-82.1, S-85.1, S-89.1, and S-91.1

A. These adjustments represent the individual payroll annualizations to the various expense accounts (i.e., production, transmission, distribution, customer accounts, customer services, sales and administrative and general (A&G) expense).

Q. Please give a brief description of Empire's payroll system.

A. Empire's employees spend time on electric utility operations within a four-state area; Arkansas, Kansas, Missouri and Oklahoma, as well as on water utility operations in Missouri and also various non-regulated activities. Payroll records for the electric operations are maintained on a total Company basis. Accordingly, payroll is allocated to the individual states only during a rate case and not as part of the Company's normal operating procedures. Payroll is charged to electric, water and non-regulated activities either directly or indirectly, on an allocated basis. A portion of payroll is capitalized. The employees fill out time cards detailing where the payroll charges should be booked. An employee may charge his time to O&M expense, construction expense, retirements expense or clearing accounts within the electric utility, water utility and non-regulated operations. The portion of payroll that is capitalized is the sum of construction, retirements and allocated clearing charges.

Q. What are the different components of the payroll annualization?

A. The payroll annualization considers full-time union, non-union hourly, non-union salaried and part-time/temporary regular payroll. In addition, the annualization of overtime charged by union and part-time/temporary employees, discretionary bonuses and MIP awards have been included in the payroll adjustments.

Q. Please explain the methodology you employed to determine annualized payroll.

A. The annualized test year payroll is based upon the Company's employee levels at December 31, 2000. The Company's response to Staff Data Request No. 102 listed personnel employed by Empire at December 31, 2000. The annualization includes the union employee pay increases effective November 6, 1999, per Empire's response to Staff Data Request No. 102, and merit increases to employees that were not at the top of their "job value" effective February 12, 2001 for non-union positions, provided by Empire in response to Staff Data Request No. 244. These wage and salary levels are based upon straight time wages/salaries. Hourly wages were computed for 2,088 hours for the test year level for hourly workers. Salaried rates are computed on an annual basis.

In addition, I performed an analysis of part-time/temporary hours and pay covering a ten-year period. The test year level of part-time/temporary hours reflects an increase over prior levels that may be in part be caused by the reduction in full time employees. Staff asked Empire in Staff Data Request No. 103 if an analysis or correlation of part-time/temporary hours to employee counts or employee reductions had been performed. In response, Empire stated that it had not performed an analysis to determine if a relationship existed. Staff will include the test year level of part-time/temporary hours in the payroll annualization but the appropriate relationship between employee levels and part-time/temporary hours will also be examined by Staff during the true-up audit.

Q. Why were these wage/salary rates and employee levels used to calculate the payroll annualization?

A. These levels represent the most current indicators of ongoing payroll expense. This is consistent with the ratemaking principle of maintaining the proper relationship of revenues, expenses and investment at a point in time.

Q. How did you determine total annualized payroll?

A. The sum of the annualized components discussed above (full-time union, non-union hourly, salaried, and part-time/temporary payroll, including overtime, discretionary bonuses and MIP awards) represents the Company's annualized payroll.

Q. Has Staff considered the impact of the merger rejected by UtiliCorp United, Inc. (UtiliCorp) on the employee levels for Empire at the end of the test year?

A. Yes. The Staff was provided a list of vacant positions at December 31, 2000 from Empire in response to Staff Data Request No. 235. The list includes all budgeted vacant positions. The Staff's position is to only include filled positions at December 31, 2000, the end of the test year, in the annualization of payroll. Empire will be asked to provide employee levels at the end of the true-up period, June 30, 2001, at which time the Staff will revise the payroll annualization to include any additional positions that have been filled.

Q. Did Staff perform an analysis of the employment levels for Empire?

A. Yes. The Staff has reviewed the employment levels of Empire over the last ten years (1991-2000). This analysis includes full time, part time and temporary employees. (See Schedule 5). A 13-month rolling average of full time equivalent employees shows a reduction of 24 full time employees from January 1991 to December 2000.

At the time of Empire's last rate case, Case No. ER-97-81, Staff reviewed the impact of the Competitive Positioning Process (CPP) implemented by Empire at that time on the full-time, part-time and temporary employee counts. The CPP reorganized the structure of Empire staffing through a voluntary early retirement program and by redefining job descriptions for remaining employees. The CPP reduced the employee count at Empire below the prior normal levels.

The announcement of the UtiliCorp merger with Empire in May 1999 affected the ability of Empire to retain employees and effectively further reduced the employee count. Staff interviewed Mr. Mryon McKinney, President, and Mr. Robert Fancher, Vice President of Finance, in May 2000 in relation to the proposed UtiliCorp merger, Case No. EM-2000-369. Both Empire officers stated in those interviews that Empire has a normal vacancy level and that the merger had increased the number of vacancies currently at Empire. By comparison, the CPP employee reduction was intended to provide Empire with a competitive advantage by permanently reducing payroll costs and improving net income. Many utilities potentially subject to competitive pressures have made significant reductions in employee levels over the last decade. The employee reductions related to the UtiliCorp rejected merger has also served to reduce payroll costs and improve net income for Empire.

Q. Has the Commission allowed the inclusion of budgeted positions in the determination of annualized payroll expenses?

A. No. In Kansas City Power & Light Company (KCPL) Case No. ER-80-48, the Commission rejected inclusion in rates of costs associated with KCPL's budgeted level of employees as speculative. The Commission found that the actual employee level at the time of the true-up hearing would be allowed for KCPL's payroll expenses. Staff's position is to support only the inclusion of expenses for known and measurable costs in the determination of cost of service. Employees on the Empire payroll at the time of the true-up will be included in the cost of service. Budgeted positions that are still unfilled at that time will not be included in Empire's cost of service.

Q. Please explain Staff's calculation of the overtime portion of the payroll adjustment.

A. The overtime payroll adjustment is based upon an analysis of the level of overtime hours for the calendar years 1996 through 2000 multiplied by an overtime hourly rate. (See Schedule 6). Traditionally the fluctuation of overtime hours is caused by external factors beyond a company's control, thus showing no degree of predictability. Union and temporary employees typically incur overtime while salaried employees do not. The vacancies that currently exist at Empire have not appeared to materially affect the overtime hours for the test year 2000. In recent years the overtime hours have varied, therefore, Staff is using a five-year average approach in order to normalize overtime. This five-year average produces a more accurate representation of an ongoing level of overtime.

I have calculated the hourly rate for overtime based upon imputing the November 2000 union increase throughout the entire calendar year 2000 and then computing the average hourly rate for overtime charged in the year 2000. This hourly rate is multiplied by the average overtime hours to compute the annualized overtime cost.

Q. Please give a brief description of the Company's management incentive plan (MIP).

A. The Company's MIP is available to the Company's senior officers: President, Vice President of Finance, Vice President of General Services, Vice President of Commercial Operations, and Vice President of Energy Supply. On January 31, 2001, the senior officers received an annual MIP award based on their meeting calendar year 2000 targets concerning three corporate goals: (1) return on equity (ROE), (2) O&M expense control, and (3) fuel and purchased power costs.

In addition, the personal goals for each of the five officers were also reviewed. Although the individual goals varied from officer to officer, they fell into four main categories, including general task completion, control of departmental expenses, construction of the State Line combined cycle unit, and the associated rate filing and merger related activity.

The amount of the award determination, expressed as a percentage of the particular officer's salary at the beginning of 2000, was based upon attainment of a specific performance level by that officer:

1. Threshold (lowest permissible attainment of goals),
2. Par (medium attainment of goals), and
3. Maximum (highest attainment of goals).

Q. What criteria did Staff use to evaluate Empire's MIP?

A. Staff reviewed the Company's MIP objectives and the awards granted by the Board of Director's Compensation Committee for the years 1997 (based upon 1996 operations), 1998 (based on 1997 operations), 1999 (based on 1998 operations), 2000 (based on 1999 operations) and 2001 (based on 2000 operations). These objectives and the resulting awards for the twelve months ending December 31, 1996 through December 31, 2000 are summarized in Highly Confidential Schedule 7, as an attachment to my direct testimony. In this review, I followed the criteria outlined for incentive compensation in this Commission's Report and Order in Case No. EC-87-114 respecting Union Electric Company. In that case, the Commission stated in its Report and Order that, at a minimum, an acceptable management performance plan should contain goals that improve existing performance, and the benefits of the plan should be ascertainable and reasonably related to the plan.

Q. Please explain the rationale for Staff's calculation of the MIP portion of the payroll adjustments.

A. Staff performed an analysis of the monetary awards for 1996 through 2000. As previously mentioned, the amounts awarded are expressed as a percent of the salaries of the senior officers as of the beginning of the year under evaluation. For example, the awards granted in 2001 were based upon operations during calendar year 2000, and the award percentages were applied to the senior officers' salaries at January 1, 2000.

To calculate the MIP adjustment, which is included in the annualized payroll adjustments, I removed any percentages of awards related to attainment of ROE and/or earnings goals, as well as for merger projects. Meeting objectives related to items such as return on equity and completion of projects related to the UtiliCorp rejected merger are of primary benefit to the shareholders. I also removed percentages related to the construction of the State Line combined cycle unit because of cost overruns incurred at that project. These cost overruns are discussed in the direct testimony of Staff Accounting witness Cary G. Featherstone and Mark L. Oligschlaeger. Staff did not remove MIP percentage awards for meeting electric O&M expense and fuel and purchase power goals because these goals are of primary benefit to the ratepayers and thus, in Staff's opinion, should be allowed in cost of service. I performed this analysis over the most recent five-year period and utilized a five-year average of the allowable percentages awarded to each officer and multiplied this average by the current 2001 salary of each officer.

Q. Why did you use a five-year average of MIP costs in the case?

A. As shown in Schedule 7, the MIP awards, expressed as a percentage of the senior officers' base salaries, fluctuated dramatically over the years examined. The test year level of MIP expenses appears to be abnormally high in comparison with the other four years. To set rates based on the test year amount of MIP expenses would be to assume that in future years the incentive plan objectives benefiting ratepayers (i.e., O&M expense and fuel and purchase power goals) will be achieved to the same degree as accomplished for the test year. As previously stated, the test year level of MIP expenses is abnormally high, therefore an averaging is appropriate to address volatility.

Q. Does the Staff have any further concerns regarding Empire's MIP?

A. Historically, the Staff has found that over time the MIP has been modified to remove some external effects and not others, and also changed to benefit the senior officers through application of lower thresholds and subjective objectives. The UtiliCorp rejected merger is an example of a situation that affected many of the management directives and decisions in 1999 and 2000 influencing the MIP goals.

The measurement of appropriate goals is not easily quantified and external forces that affect the goals cannot easily be separated out in the measurement. MIP awards since the inception of the plan have ranged from **________________ ____ ____________** Easily attained MIP objectives that are not beneficial to the general body of ratepayers, and awards which may be exorbitant, even if the objectives are appropriate, should not become moving targets used merely to enhance senior officer salaries.

Q. Does Empire offer any other incentive compensation plans?

A. Yes. In addition to MIP, the Company has a discretionary award pool that it uses to reward employees, including senior officers, who, in the opinion of the CEO, have exhibited outstanding performance in a particular year.

Q. Please explain Staff's treatment of the Company's discretionary compensation award pool.

A. In the Company's initial response, and supplementary response to Staff Data Request No. 139, the Company provided a list of each employee who received a discretionary compensation incentive award during the test year and a description of the criteria under which the awards were granted.

The Staff believes that the criteria under which the discretionary awards were granted were within the scope of these employees' normal job duties. For example, employees, during the test year ending December 31, 2000, were granted awards for normal job related tasks, negotiating union contracts, and projects related to the construction of the State Line combined cycle unit. The Staff maintains that an employee should not be granted an additional monetary award for the performance of normal job duties. Incentive compensation recovered from ratepayers should only reward employees for performance that is both exceptional and beneficial to ratepayers; in other words, employee performance that is beyond the employee's usual job description and beneficial to ratepayers. To reward employees for activities that they are required to do as part of their normal job duties would be duplicative and these expenses should not be borne by the ratepayers. The Staff is recommending disallowance of all discretionary compensation incentive awards granted during the test year and has reflected this in the calculation of annualized payroll adjustments.

Q. How did Staff determine the allocation of the total Empire payroll costs between total Company expense, construction expense, retirements expense and clearing accounts within the electric utility, water utility and non-regulated operations?

A. The total Company expense allocation was derived using the following steps: I first determined the payroll distribution for 1999 and 2000 based upon Empire's response to Staff Data Request Nos. 91 and 159. I also performed an analysis of payroll distribution data obtained in the FERC Form 1, *Annual Report to the Missouri Public Service Commission*, filed by Empire with this Commission for the years 1996 through 1999. I reviewed the payroll distribution documented in the monthly financial reports issued by Empire. From this analysis, I determined that a five-year average of payroll distribution to total Company expense would normalize fluctuations. The five-year average payroll distribution allocated to total Company expense is 71.954%.

Q. How did Staff determine the distribution of the total Company expenses between the various FERC accounts in Empire's general ledger?

A. I totaled the annualized payroll costs including full-time and part-time/temporary, both union and non-union, and multiplied this total amount by the total Company expense ratio of 71.954%. The product was then allocated to the various FERC expense accounts based upon the test year distribution. This distribution includes the allocation of clearing accounts to O&M expense, construction expense and retirement expense between electric utility, water utility and non-regulated activity.

Q. How did the Staff determine the portion of annualized payroll to be charged to Empire total Company expense?

A. I multiplied total annualized payroll by total Company expense factors to derive total annualized total Company expense payroll. Total annualized company expense payroll was distributed to expense functions based upon the actual distribution of test year payroll.

Q. Has the Staff applied the total Company expense factors to other payroll related adjustments?

A. Yes. The Staff also applied this total Company expense factor to other payroll-related adjustments such as 401(k), health care costs and other employee benefits, which naturally follow payroll expense.

Iatan Payroll

Q. Please define Iatan payroll.

A. Iatan payroll is the amount of payroll allocated to Empire representing the Company's twelve- percent interest in the Iatan power plant, principally owned and operated by KCPL.

Q. Please explain your method of payroll annualization for Iatan payroll.

A. I performed an analysis of Iatan payroll covering a five-year time period. The employee level allocated to Empire remains constant at 15 full time employees. The actual costs associated with labor at Iatan have increased over the five years analyzed except for calendar year 1997. The test year amount of Iatan payroll was representative of a normal level and no increase or decrease in the test year amount was warranted. Therefore, no adjustment was made by the Staff for Empire test year Iatan payroll.

PAYROLL TAXES

Q. Please explain adjustment S-95.2.

A. Adjustment S-95.2 annualizes Federal Unemployment Tax (FUTA) by multiplying that portion of each employee's salary at or under the current $7,000 FUTA limit by the current 2001 rate of .8%. The computation of the annualized FUTA tax also deducts the credit that is theoretically applied to the year-end reconciliation of FUTA for contributions made to State Unemployment Tax (SUTA). This deduction in effect, credits the FUTA for all contributions to SUTA. The total Empire FUTA total Company expense adjustment was derived by applying the total Company expense factor of 71.954% to the total Empire FUTA adjustment.

Q. Please explain adjustment S-95.3.

A. Adjustment S-95.3 annualizes State Unemployment Tax (SUTA) by multiplying that portion of each employee's salary at or under the applicable SUTA limit of each employee's respective state (i.e., Missouri, Arkansas, Kansas, or Oklahoma) by the respective 2001 SUTA rates for the particular state. Empire elected to make a voluntary contribution to Missouri in the amount of $6,109.47, which then eliminated any additional contribution towards the Missouri SUTA for calendar year 2001. The total Company SUTA total Company expense adjustment was derived by applying the total Company expense factor of 71.954% to the total Company SUTA adjustment.

Q. Please explain adjustment S-95.1.

A. Adjustment S-95.1 represents the annualization of the Federal Insurance Contributions Act (FICA) tax.

Q. Please explain how Staff annualized the FICA tax.

A. FICA (Social Security) is comprised of Old-Age, Survivors and Disability Insurance (OASDI) taxes and Medicare taxes. The OASDI tax of 6.20% is limited in calendar year 2001 to the first $80,400 of gross income per employee. The OADSI tax may also be reduced by the employee's election to set aside a portion of his/her gross salary/wages for healthcare, life insurance and/or dependent care through Empire's Employee Flexible Benefit Plan. The reduction of OADSI tax related to an employee's election to participate in the Employee Flexible Benefit Plan also reduces the applicable employer OADSI tax, which in essence is a match to the employee's OADSI tax. Empire provided the Employee Flex Benefit Plan elections for 2001 in response to Staff Data Request No. 234. The Medicare tax of 1.45% applies to the total gross income with no exclusions. The employer matches the OADSI and Medicare tax. I have applied the appropriate OADSI and Medicare tax to the annualized wages/salaries for each individual employee. The total Empire FICA tax total Company expense adjustment was derived by applying the total Company expense factor of 71.954% to the total Empire FICA tax adjustment.

PAYROLL RELATED BENEFITS

Employee 401 (k) Retirement Plan

Q. Please explain adjustment S-85.3.

A. Adjustment S-85.3 reflects the increase in expenses for the Employee 401(k) Retirement Plan based upon the percentage election of each employee for 2001. Under the 401(k) Plan, employees have the option of deferring, for receipt in the future, a portion of their salaries or wages. The Company matches fifty percent of the employee's deferral, up to a maximum of three percent of salaries/wages. Empire provided the employee 401(k) deferral elections for 2001 in response to Staff Data Request No. 146 which were applied to the annualized wage/salary levels to determine Empire's 401(k) expense. The total Company expense factor was then applied to the total Company annualized 401(k) employer cost to determine the total Company expense adjustment.

Other Employee Benefits

Q. Please explain adjustment S-85.9 and S-85.10.

A. Adjustment S-85.9 annualizes employee benefit costs other than pension and OPEBs cost, which have been adjusted separately. (See Schedule 2). FERC account 926.329 includes the health care expense for Empire employees. Staff completed an analysis of the health care costs for active employees and Consolidated Omnibus Budget Reconciliation Act (COBRA) qualified former employees based upon Empire's response to Staff Data Request No. 142. The analysis shows that health care expenses have escalated over the past four years. Staff annualized employee health care expense to the actual health care plan expense level for 2000. Empire posts entries to FERC account 926.329 when monies are transferred to the VEBA trusts, which are then used to pay health care and prescription claims to employees along with other costs associated with administering the health plan. Staff's adjustment to FERC account 926.329 is the difference between the cash transfers posted for the test year 2000 and the actual level of health care expenses for active and former employees eligible for COBRA health benefits for the year ending December 31, 2000.

Q. What other employee benefits in FERC 926 accounts are included in the adjustment S-85.10?

A. Staff has included group life insurance, accidental death & dismemberment insurance, tuition and education reimbursements, total & permanent disability insurance, fiduciary liability expense, flowers for employees and flexible benefit expense in the adjustment S-85.10. The analysis of these expenses included total expenses in each account for the calendar years 1996 through 2000. A five-year average was used to normalize the costs if the actual expenses fluctuated over time. Expenses that escalated over the five-year period were annualized at the calendar year 2000 expense level. (See Schedule 8).

Q. Has Staff included an adjustment for FERC account 926.212, Severance Benefits?

A. Yes. Staff reviewed Empire's initial response to Staff Data Request No. 237 and the supplemental response to that Data Request identifying transactions to the Severance Benefits account. The severance benefit expenses posted to FERC account 926.212 relate to the merger rejected by UtiliCorp. Staff also reviewed the Summary

Plan Description for the Interim-Change of Control Workforce Transition Program, which controlled the payment of severance expenses. The Summary Plan Description states that the program expires immediately in the event the merger is not finalized. The accruals posted to the Severance Benefits account were for future benefits to be paid in 2001 and 2002 to employees that were still employed by Empire at December 31, 2000. Adjustment S-85.11 eliminated these accruals in total. One employee received severance benefits during 2000 and this transaction would be considered a nonrecurring event, not to be included in the annualization of other employee benefits. Therefore, Staff has also eliminated the severance expense associated with the payment to this employee in its adjustment of severance expenses.

MISCELLANEOUS EXPENSES

Q. Please explain adjustments S-10.3, S-51.3, S-56.3, S-61.2, S-67.3, S-72.3, S-73.4, S-77.6, S-80.6 and S-85.5.

A. These adjustments reflect the Staff's disallowance of ceremonial costs associated with Christmas luncheons, awards, service anniversaries, and food. (See Schedule 9). These activities are performed at the discretion of the Company's management, are not necessary for the provision of safe and adequate service and provide no direct benefit to the ratepayer. These activities should be provided at the shareholders expense.

OUTSIDE SERVICES AND MERGER COSTS

Q. Please describe adjustments S-69.3, S-80.7, S-82.2 and S-89.6.

A. I reviewed outside services posted to FERC account 923 during the test year 2000. In addition I reviewed merger costs recorded on invoices received by the

Office of the Public Counsel (Public Counsel) in response to Public Counsel Data Request No. 1026. These merger costs were posted to FERC accounts 923 and 930. Staff reduced expenses booked by Empire for costs related to the UtiliCorp merger posted during the test year. It is inappropriate to allow specific recovery in rates of amounts related to past regulatory proceedings. Inclusion of these costs would also be inappropriate since the costs associated with the UtiliCorp/Empire merger are nonrecurring expenses that would not be representative of ongoing expense levels.

Staff's adjustments reduce test year expense for outside services performed in 1999 that were posted to Empire's general ledger in 2000. Costs for 2001 services billed and paid in 2000 were also adjusted out. These expenses did not occur during the test year. Specific expenses for non-regulated activities were also removed from the test year.

PriceWaterhouseCoopers completed an extensive audit of the PeopleSoft and Centurion computer systems for Empire for which costs were expensed during the test year. Costs associated with this audit are nonrecurring and, therefore, should not be included in the test year expenses. I have reviewed PriceWaterhouseCoopers' estimated audit service fees for 2001 to determine that these audit expenses are not anticipated for 2001.

Q. Does this conclude your direct testimony?

A Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of the Empire District Electric Company for a General Rate Increase.	)))	Case No. ER-2001-299

AFFIDAVIT OF JANIS E. FISCHER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Janis E. Fischer, being of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 28 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Janis E. Fischer

Janis E. Fischer

Subscribed and sworn to before me this 2nd day of April 2001.

D Suzie Mankin

D SUZIE MANKIN
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21,2004

SUMMARY OF RATE CASE TESTIMONY FILED

Janis E. Fischer

COMPANY	CASE NO.
Empire District Electric Company	ER-97-81
Union Electric Company (AmerenUE)	GR-97-393
Osage Water Company	WA-98-236/ WC-98-211
Western Resources/Kansas City Power & Light Company	EM-97-515
UtiliCorp United, Inc./St. Joseph Light & Power Company	EM-2000-292
UtiliCorp United, Inc./Empire District Electric Company	EM-2000-369
KLM Telephone Company	TT-2001-120

Empire District Electric Company
Case No. ER-2001-299
FAS 106 and Health Care Expense Adjustments
Posted to G/L Account 926.329

Line #	Description			
	Adjustment 1 - Restate Basis to Accrual Basis			
	Staff Calculation - FAS 106			
1	FAS 106 - Actuarial Report 2000	6,142,076		
2	Percentage Total Company Expense (DR 171) use 2000 distribution actual	71.95%		
	Annualized FAS 106 Expense			
3	Total Company per Staff		4,419,469	
	Empire Booked A/C 926.329 in 2000			
4	FAS 106 Total Expense Accrual DR 171	$3,241,972		
5	Paid Claims - Retirees DR 142 Supplement	$977,050		
6	Empire Expense per G/L		$4,219,022	
7	**Adjustment to Reflect Accrual Amount - S-85.8**			**$200,447**
	Adjustment 2 - Annualize Health Care Expense			
	Annualized Employee Medical			
8	Active		$3,242,498	
9	COBRA		$25,016	
10	Total		$3,267,514	
11	Percent to Total Company Expense		71.954%	
12	Annualized Employee Medical		$2,351,107	
	Booked Employee Medical - Total Company Expense			
13	Active	$2,149,918		
14	COBRA	$16,587		
15	Total Company Expense		$2,166,504	
16	**Adjustment to Annualize Employee Medical Costs - S-85.9**			**$184,603**

Allocation of 2000 Paid Employee & Retiree Medical Total Company Expense

		Percent	DR 142 Supp. Actual Costs	Expensed
17	Active	68.39%	$3,242,498	$2,149,918
18	Retiree - FAS 106	31.08%	$1,473,583	$977,050
19	COBRA	0.53%	$25,016	$16,587
20	Total	100.00%	$4,741,097	$3,143,554

Empire District Electric Company
Case No. ER 2001-299
Staff's Calculation of Pension Expense under FAS 106
Posted to G/L Account 926.329

Line No.	Description	Company Actual Pension Cost 2000	Adjustment to Amortize Gains/Losses Over 5 Yrs.*	Staff Pension Cost as Adjusted
1	Service Cost	931,469		931,469
2	Interest Cost	3,142,872		3,142,872
3	Expected Rate of Return	(1,007,118)		(1,007,118)
4	Amortization of Unrecognized Transition Obligation	1,084,017		1,084,017
5	(Gain)/Loss Amortization	1,990,806	(1,811,565)	179,241
6	Net Periodic Postretirement Benefit Cost	6,142,046	(1,811,565)	4,330,481
7	Total Company Adjustment			(1,811,565)
8	Expense Percentage to Total From Payroll Distribution			71.95%
9	Allocation to Total Company Expense **Adjustment S-85.7**			**(1,303,494)**

*5 Year Average of Unrecognized (Gains)/Losses
From DR 100 Watson Wyatt Actuary Reports

	Period		(Gain)/Loss
11	January 1, 1996		(2,433,454)
12	January 1, 1997		(5,468,973)
13	January 1, 1998		(3,608,720)
14	January 1, 1999		6,038,138
15	January 1, 2000		9,954,030
16		5 Year Total	4,481,021
17		5 Year Average	896,204
18		Amortized 5 Years	179,241

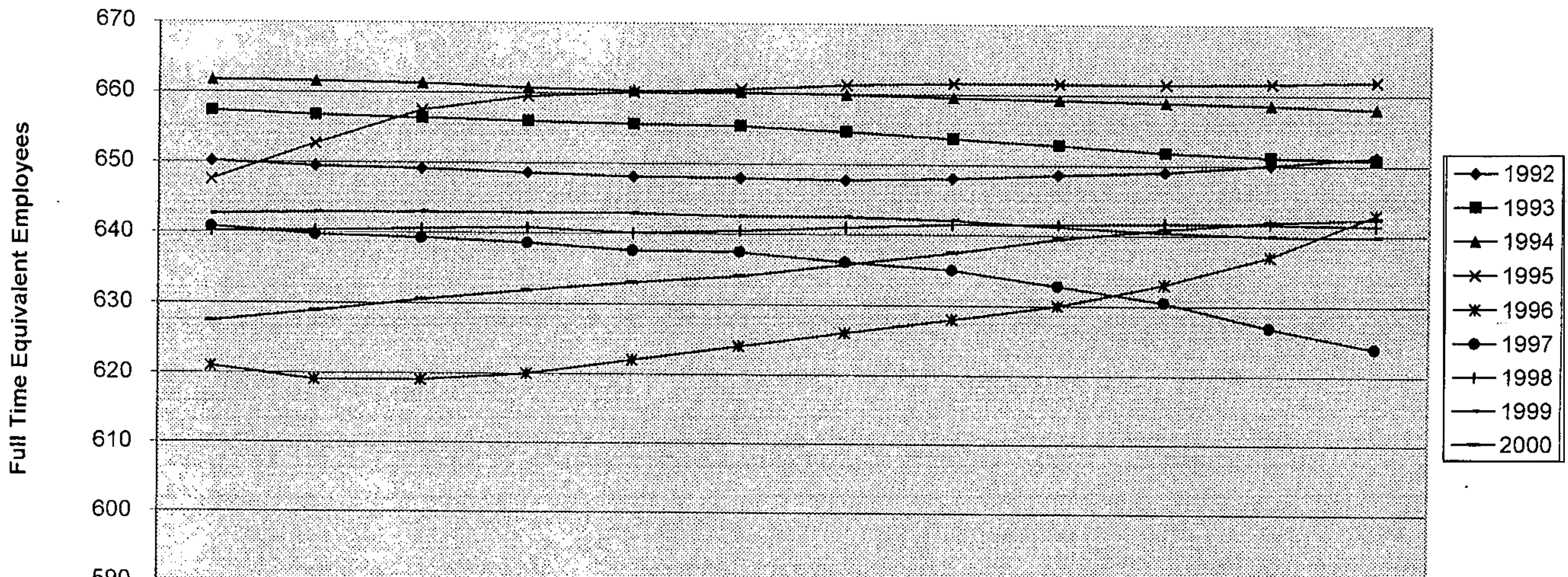
Empire District Electric Company
Case No. ER 2001-299
Staff's Calculation of Pension Expense under FAS 87
Posted to G/L Account 926.148

Line No.	Description	Company Actual Pension Cost 2000	Adjustment to Amortize Gains/Losses Over 5 Yrs.*	Staff Pension Cost as Adjusted
1	Service Cost	2,182,798		2,182,798
2	Interest Cost	5,579,276		5,579,276
3	Expected Rate of Return	(9,181,211)		(9,181,211)
4	(Gain)/Loss Amortization	(6,389,636)	3,188,983	(3,200,653)
5	Prior Service Cost Amortization	519,431		519,431
6	Transition (Asset)/Obligation	(491,155)		(491,155)
7	Total Pension Cost if Recorded Correctly	(7,780,497)	3,188,983	(4,591,514)
8	Pension Cost as Adjusted Total Company			(4,591,514)
9	Expense Percentage of Total (From Payroll Distribution)		71.95%	
10	Total Expense Adjustment			(3,303,778)
11	Actual Total Expense FAS Accrual			(5,425,904)
12	**Adjustment S-85.6**			**2,122,126**

*5 Year Average of Unrecognized (Gains)/Losses
From DR 100 Watson Wyatt Actuary Reports

	Period		(Gain)/Loss
13	January 1, 1996		(8,448,250)
14	January 1, 1997		(7,600,220)
15	January 1, 1998		(12,123,338)
16	January 1, 1999		(19,896,343)
17	January 1, 2000		(31,948,181)
18		5 Year Total	(80,016,332)
19		5 Year Average	(16,003,266)
20		Amortized 5 Years	(3,200,653)

Schedule 5 - Empire District Electric Case No. ER-2001-299



	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan
1992	650	650	649	649	648	648	648	648	649	649	650	651
1993	657	657	656	656	656	655	655	654	653	652	651	651
1994	662	662	661	661	660	660	660	660	659	659	659	658
1995	648	653	657	659	660	661	661	662	662	662	662	662
1996	621	619	619	620	622	624	626	628	630	633	637	643
1997	641	640	639	639	638	637	636	635	633	631	627	624
1998	640	640	641	641	640	640	641	641	642	642	642	641
1999	643	643	643	643	643	642	643	642	641	640	640	640
2000	627	629	631	632	633	634	636	637	639	641	642	642

13 Month Rolling Avg by Months

Schedule JEF-5

Empire District Electric Company
Case No. ER-2001-299
DR Response 101 and Supplements-Payroll Adjustments

Overtime Dollars 1996-2000					
1996	1997	1998	1999	2000	5 Yr Avg
173,170	163,487	167,311	652,245	296,302	290,503
133,639	173,747	192,899	181,402	166,561	169,650
233,412	310,835	322,423	273,203	215,422	271,059
325,033	289,533	202,529	257,274	295,862	274,046
373,472	232,560	186,909	390,482	256,311	287,947
296,351	262,130	310,460	286,225	292,943	289,622
291,151	279,932	301,895	309,502	437,505	323,997
216,564	336,038	404,903	528,995	289,352	355,170
323,767	152,348	252,476	306,584	345,321	276,099
328,890	175,608	260,181	224,506	296,262	257,089
254,988	170,978	282,659	246,068	279,830	246,905
316,781	168,166	257,033	257,257	421,140	284,075
$3,267,217	$2,715,362	$3,141,678	$3,913,743	$3,592,811	$3,326,162

Overtime Hours 1996-2000					
1996	1997	1998	1999	2000	5 Yr Avg
6,667.30	5,705.00	5,690.90	19,461.60	10,336.55	9,572.27
4,899.60	5,911.80	6,382.00	6,088.40	5,660.70	5,788.50
8,472.30	10,599.20	10,533.30	8,519.10	6,849.15	8,994.61
10,884.60	9,608.20	6,569.20	8,779.60	9,383.35	9,044.99
13,114.50	7,864.30	6,118.40	11,792.10	7,964.01	9,370.66
10,461.40	8,889.50	9,845.60	9,466.30	9,154.35	9,563.43
10,019.50	9,489.20	9,428.70	10,377.90	13,566.70	10,576.40
7,617.00	10,868.60	13,198.20	17,549.70	8,821.90	11,611.08
11,266.60	5,191.30	8,350.90	10,111.50	10,649.30	9,113.92
10,123.30	5,823.10	8,684.70	7,445.60	9,414.80	8,298.30
8,492.40	5,823.50	9,350.20	8,377.60	8,670.10	8,142.76
10,282.10	5,679.90	8,260.50	9,142.80	12,790.40	9,231.14
112,300.60	91,453.60	102,412.60	127,112.20	113,261.31	109,308.06

Average Dollar/Hour Overtime 1996-2000					
1996	1997	1998	1999	2000	5 Yr Avg
25.97	28.66	29.40	33.51	28.67	30.35
27.28	29.39	30.23	29.79	29.42	29.31
27.55	29.33	30.61	32.07	31.45	30.14
29.86	30.13	30.83	29.30	31.53	30.30
28.48	29.57	30.55	33.11	32.18	30.73
28.33	29.49	31.53	30.24	32.00	30.28
29.06	29.50	32.02	29.82	32.25	30.63
28.43	30.92	30.68	30.14	32.80	30.59
28.74	29.35	30.23	30.32	32.43	30.29
32.49	30.16	29.96	30.15	31.47	30.98
30.03	29.36	30.23	29.37	32.28	30.32
30.81	29.61	31.12	28.14	32.93	30.77
29.09	29.69	30.68	30.79	31.72	30.43

Total Adj Test Yr	Total Adj Test Yr Hrly	Hrly Times 2.5% Incr.	Annualized Hours	Annualized Overtime $	Test Year Overtime $	Payroll Adjustment
3,579,085	31.60	32.39	109,308.06	3,540,515	3,592,811	(52,296)

Annualized Overtime is Included in the Payroll Adjustments

SCHEDULE 7
IS DEEMED TO BE

HIGHLY
CONFIDENTIAL

IN ITS ENTIRETY

NP

Empire District Electric Company
Case No. ER-2001-299
Analysis of A/C 926 Accts.
Posted to G/L 926 Accounts

DR Response 204

A/C	Description	1996	1997	1998	1999	2000	Adjustment Basis 5 Yr Avg	2000	2001	Adjustment
926222	Group Life Insurance	179,651	238,705	240,987	243,064	260,895		260,895		0
926227	Group Acc Death & Dismemb	4,097	4,194	4,218	3,883	3,989	4,076			**87**
926231	Tuition and Education	18,821	16,754	21,409	13,213	12,632	16,566			**3,934**
926437	Total & Permanent Disability	33,443	23,591	35,115	37,546	42,968		42,968		**0**
926226	Fiduciary Liability Expense	8,917	8,922	7,226	14,074	12,132	10,254			**(1,878)**
926230	Flexible Benefits	10,725	17,860	26,804	(11,806)	40,042		40,042		**0**
926217	Flowers					1,468				**(1,468)**
926219	Other	35,364	52,174	49,532	53,437	39,204	45,942			**6,738**
	Total Adjustment S-85.10									**7,413**

Empire District Electric Company
Case No. ER-2001-299
Response to DR #124
Miscellaneous Expense Disallowances

PAYEE	DESCRIPTION	AMOUNT	ADJ AMT	A/C	ADJ #
The Butcher Block	5/26/00 SWPC Powerserve	883.45		100.002	
The Butcher Block	12/22/2000	533.00		184.331	
Jim Bobs	December 23, 1999-Party	598.78		506.126	
The Butcher Block	December 24, 1999-Party	759.53		506.126	
The Butcher Block		776.59	**2,135**	506.126	**S-10.4**
Chichen Mary's	December 23, 1999-Party	2,711.34		583.019	
Golden Corral,Springfield	December 23, 1999-Party	504.17		583.019	
Hereford House	9/8/00 Lineman's Rodeo	271.80		583.019	
Jim Bobs	Mar 9, 2000-Safety Lunch	1,338.53		583.019	
Jim Bobs	04/18/2000	858.46		583.019	
Jim Bobs	05/03/2000	883.46		583.019	
Jim Bobs	10/17/2000	898.38		583.019	
Jim Bobs	10/24/2000	798.38		583.019	
Jim Bobs	12/22/2000	4,032.00		583.019	
Undercliff Grill & Bar	12/22/2000	661.19	**12,958**	583.019	**S-51.4**
Hereford House	9/8/00 Lineman's Rodeo	500.00		588.025	
Jim Bobs	05/05/2000	425.80	**926**	588.025	**S-56.4**
Hereford House		527.18	**527**	593.555	**S-61.3**
Big Cedar Lodge	Deposit 5/25/00 NESC	700.00		901.001	
Golden Corral,Branson	December 23, 1999-Party	1,066.50	**1,767**	901.001	**S-67.4**
Undercliff Grill & Bar	12/22/2000	661.18		907.101	
Wilders	January 20, 2000-Retirement	754.32	**1,416**	907.101	**S-72.4**
Champs Pub/Guccion's	5/24/00 PDC participants	502.49	**502**	908.101	**S-73.5**
Home Builders Association	12/1/00 Christmas Banquet	400.00	**400**	912.025	**S-77.7**
Ardes Villa	10/27/2000	819.06		921.102	
Cloud's Meat Processing	7/25/00 Directors	713.22		921.102	
Holiday Inn of Joplin	4/272000-Banquet	3,721.20		921.102	
Twin Hills Golf & Country Club	Feb 2, 2001-Banquet	949.46		921.102	
Twin Hills Golf & Country Club	4/26/2000-Banquet	898.29		921.102	
Timberline	05/26/2000	540.00		921.225	
Village Pastry Shoppe	10/11/2000	452.94		921.502	
Champs Pub/Guccion's	4/5/2000-Gipson	541.24	**8,635**	921.888	**S-80.7**
Chichen Mary's	12/22/2000	2,681.28		926.219	
Holiday Inn of Joplin	4/14/2000-25 Year Club	5,774.89		926.219	
Holiday Inn of Joplin	08/23/2000	614.02		926.219	
Riverside Inn, Ozark	December 16, 1999 38@19.95	948.85		926.219	
Riverside Inn, Ozark	12/06/2000	893.60		926.219	
Twin Hills Golf & Country Club	December 17, 1999-Banquet	2,996.37	**13,909**	926.219	**S-85.5**
		44,590.95	**43,175**		
Not adjusted	Construction/Clearing		1,416		
			44,591		

Empire District Electric Company
Case No. ER-2001-299
Disallowance of Outside Services

Vendor	Description	A/C 923.045 Amount	A/C 930.220 Amount
DR Response to 94			
Anderson, Byrd, Richeson & Flaherty	1999	1,277.72	
Anderson, Byrd, Richeson & Flaherty	1999	189.00	
Brydon, Swearengen & England	1999	12,774.89	
Brydon, Swearengen & England	Fiberoptic Project	755.25	
Brydon, Swearengen & England	General Telephone Matters	2,667.95	
Cahill Gordon & Reindel	1999	2,690.27	
Chamber of Commerce	Utility Deregulation Consult	5,000.00	
PriceWaterhouseCoopers	Peoplesoft/Centurion audit	128,000.00	
PriceWaterhouseCoopers	add back for 2001	(20,000.00)	
Spencer Fane Britt & Browne	??	18,392.58	
Watson Wyatt	SERP/merger	2,698.00	
Watson Wyatt	Severance/merger	368.00	
Wood Herron & Evans	patent search	1,075.91	
Wright & Talisman	merger	9,607.28	
	Total DR 94	267,965.63	
Additional Adjustments			
OPC DR 1029 Response/Invoices			
Cahill Gordon & Reindel	merger	30,025	4,833
Brydon Swearengen & England	merger	151,581	
Mellon Bank	merger		15,561
Anderson Byrd Richeson	merger	13,327	
Various Employees	merger	4,067	
Business Wire	merger	595	
Fed Ex & UPS	merger	1,242	
Various Hotels	merger	490	
Mizzou Aviation	merger	17,360	
Realty Mortgage & Appraisals	merger	5,800	
White, Coffey, Galt & Fite	merger	22,979	
Newspaper Publications	merger	256	
Chisenhall, Nestrud, & Julian P.A.	merger	11,340	
Black & Veatch	merger	21,437	
Salomon Smith Barney	merger	(23)	
	Total DR 1029	280,473	20,394

DR Response 107			A/C
Harris Trust & Savings Bank	3,500 for 5/20/2000-5/19-2001	1,313	903
PeopleSoft USA Inc	1999	37,303	921

Adjustment A/C 923	**548,439**	**S-82.2**
Adjustment A/C 930	**20,394**	**S-89.6**
Adjustment A/C 903	**1,313**	**S-69.3**
Adjustment A/C 921	**37,303**	**S-80.7**