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Issue: Accounting Schedules, True-up
period, Rate Design and Fuel Adjustment

Witness: W. Scott Keith

Type of Exhibit: Direct Testimony

Sponsoring Party: Empire District

Case No.

Date Testimony Prepared: February 2006

Before the Public Service Commission

of the State of Missouri

Direct Testimony

of

W. Scott Keith

February 2006

Empire Exhibit No. 20
Case No(s) ER-2006-0315
Date 9-05-06 Rptr PF

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OF
W. SCOTT KEITH
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

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DIRECT TESTIMONY
OF
W. SCOTT KEITH
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO.

1 **INTRODUCTION**

2 **Q. STATE YOUR NAME AND ADDRESS PLEASE.**

3 A. My name is W. Scott Keith and my business address is 602 Joplin Street, Joplin,
4 Missouri.

POSITION

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am presently employed by The Empire District Electric Co. ("Empire" or "the
7 Company") as the Director of Planning and Regulatory. I have held this position
8 since August 1, 2005. Prior to joining Empire I was Director of Electric Regulatory
9 Matters in Kansas and Colorado for Aquila, Inc. from 1995 to July 2005.

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND FOR THE**
11 **COMMISSION.**

12 A. In August 1973, I received a Bachelor of Business Administration degree with a
13 major in Accounting at Washburn University, Topeka, Kansas. I have been
14 involved in the public utility industry for over thirty years.

15 **Q. WHAT EXPERIENCE HAVE YOU HAD IN THE FIELD OF PUBLIC**
16 **UTILITIES?**

17 A. In 1973, I accepted a position in the firm of Troupe Kehoe Whiteaker & Kent as a

1 staff accountant. I assisted in or was responsible for fieldwork and preparation of
2 exhibits for rate filings presented to various regulatory commissions and audits
3 leading to opinions on financial statements of various types of companies including
4 utility companies.

5 In September 1976, I accepted a position with the staff of the Kansas Corporation
6 Commission ("KCC"). My responsibilities at the KCC included the investigation
7 of utility rate applications and the preparation of exhibits and presentation of
8 testimony in connection with applications that were under the jurisdiction of the
9 KCC. The scope of the investigations I performed on behalf of the KCC included
10 the areas of accounting, cost of service and rate design.

11 In March of 1978, I joined the firm of Drees Dunn & Company and continued to
12 perform services for various utility clients with that firm until it dissolved in March
13 of 1991.

14 From March of 1991 until June of 1994, I was self-employed as a utility consultant
15 and continued to provide clients with analyses of revenue requirements, cost of
16 service studies and rate design. In connection with those engagements I also
17 provided expert testimony and exhibits to be presented before regulatory
18 commissions.

19 **Q. HAVE YOU PREVIOUSLY PARTICIPATED IN ANY REGULATORY**
20 **PROCEEDINGS?**

21 A. Yes, I have. I have testified before regulatory commissions in the States of Kansas,
22 Colorado, Indiana, Missouri and West Virginia. I have also testified before the
23 Federal Energy Regulatory Commission ("FERC").

PURPOSE

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. My testimony will support various schedules containing financial and other
3 information included in this filing, which support the Company's proposed rate
4 increase. In addition, I will describe the Company's Energy Cost Recovery rider
5 ("ECR") proposal, list the other witnesses presenting direct testimony on behalf of
6 Empire in this proceeding, explain how the Company intends to work with the Staff
7 to move forward with the implementation of a new facilities charge in its larger
8 commercial and industrial rate classes to recover the fixed costs associated with the
9 demand related components of its distribution system, and explain the proposed
10 elimination of the Experimental Green Power Rate Schedule. I will also discuss
11 the Company's proposed "True-up" period.

12 **Q. PLEASE LIST THE OTHER WITNESSES THAT WILL BE PRESENTING**
13 **DIRECT TESTIMONY ON BEHALF OF THE COMPANY IN THIS RATE**
14 **CASE.**

15 A. In total, eight (8) witnesses will present direct testimony on behalf of the Company
16 in this rate case. In addition to me, the following witnesses will present direct
17 testimony on the topics as shown in the table below:

<u>WITNESS</u>	<u>TOPIC</u>
William G. Gipson-Chief Executive Officer ¹	General Overview
Michael E. Palmer-Vice President Commercial Operations ¹	Tree Trimming, Storms & Street Lighting
Todd Tarter-Manager of Strategic Planning ¹	Fuel and ECR
James H. Vander Weide-Financial Strategy Associates	Cost of Common Equity
Sherry McCormack-Planning Analyst ¹	Demand Side Management

Jayna Long-Regulatory Analyst¹
Laurie Delano-Controller¹

Missouri Retail Revenue
FAS 87, FAS 106 & ADIT

¹Employee of The Empire District Electric Company

1 **Q. WHAT TEST YEAR DID THE COMPANY USE IN DETERMINING RATE**
2 **BASE, OPERATING INCOME AND RATE OF RETURN?**

3 **A. The schedules included in this filing are based on the twelve months ending**
4 **September 30, 2005 adjusted for known and measurable changes.**

SUPPORTING SCHEDULES

5 **Q. WHAT SCHEDULES ARE YOU SPONSORING?**

6 **A. I am sponsoring the following portions of the filing:**

- 7 • Section C, Schedule 1, Comparative and Summary Information
- 8 • Section D, Schedule 1, Rate Base and Rate of Return
- 9 • Section E, Schedule 1, Electric Plant in Service by Primary Plant Account
- 10 • Section F, Schedule 1, Accumulated Provision for Depreciation of Electric Plant in
- 11 Service
- 12 • Section G, Schedule 1, Page 1, Working Capital
- 13 • Section G, Schedule 1, Page 2, Materials and Supplies without Adjustments
- 14 • Section G, Schedule 1, Page 3, Prepayments with Adjustments
- 15 • Section G, Schedule 1, Page 4, Prepaid Interest
- 16 • Section G, Schedule 2, Cash Working Capital
- 17 • Section G, Schedule 3, Page 1, Income Tax Gross-up Factor
- 18 • Section G, Schedule 3, Page 2, Income Tax Lag

- 1 • Section G, Schedule 3, Page 3, Interest Expense Lag Calculation
- 2 • Section G, Schedule 3, Page 4, Calculation of Interest Offset and Income Tax
- 3 Offset
- 4 • Section H, Schedule 1, Capital Structure at September 30, 2005
- 5 • Section H, Schedule 2, Preferred Capital Stock
- 6 • Section H, Schedule 3, Long Term Debt
- 7 • Section H, Schedule 8, Capital Costs
- 8 • Section J, Schedule 1, Test-Year Utility Operating Income Statements and
- 9 Adjustments
- 10 • Section J, Schedule 2, Explanation of Adjustments to Test-Year Revenues and
- 11 Expenses
- 12 • Section K, Schedule 1, Depreciation Rates and Accruals
- 13 • Section K, Schedule 2, Page 1, Normalized Depreciation Expense
- 14 • Section K, Schedule 2, Page 4, Summary of Depreciation and Amortization
- 15 • Section L, Schedule 1, Taxes Charged to Electric Operations
- 16 • Section L, Schedule 2, Page 1, Calculation of Provision for Income Taxes Payable
- 17 for Twelve Months Ended September 30, 2005
- 18 • Section L, Schedule 2, Page 2, Calculation of Deferred Income Taxes for Twelve
- 19 Months Ended September 30, 2005
- 20 • Section M, Schedule 1, Jurisdictional Allocation of Property and Expenses
- 21 • Section M, Schedule 2, Page 1, Jurisdictional Allocation of Rate Base
- 22 • Section M, Schedule 2, Page 4, Jurisdictional Allocation of Revenue and Expenses

1 **Q. WERE THESE SCHEDULES PREPARED UNDER YOUR SUPERVISION**
2 **AND DIRECTION?**

3 A. Yes, they were.

4 **Q. PLEASE DESCRIBE SECTION C, SCHEDULE 1.**

5 A. Section C, Schedule 1 is a summary of certain key data for the test year and
6 comparison of this data with similar data from Empire's previous electric rate case,
7 Case No. ER-2004-570. As indicated, Empire is requesting an increase of \$29.5
8 million in Missouri jurisdictional revenue, or 9.63 percent above current rate
9 revenues, in this rate case. This increase will result in an overall rate of return of
10 9.55 percent and a return on equity of 11.7 percent. By far the biggest factor
11 driving the rate case is the increase in the price of natural gas used in electricity
12 generation and the cost of wholesale energy purchased on the open market for use
13 by our customers. The increases in fuel and energy costs account for approximately
14 64 percent, or \$19.0 million, of the overall increase of \$29.5 million being
15 requested in this rate filing. The current Interim Energy Charge (IEC) mechanism
16 used in Missouri has not enabled Empire to recover the actual cost of energy used
17 to supply its retail electric customers during a period of fuel and energy cost
18 volatility. As a direct result of that, Empire does not have a reasonable opportunity
19 to earn its authorized return on equity. This is evident if the history of the Empire
20 IEC mechanism is reviewed. If there had been a mechanism in place for Empire to
21 recover fuel and energy cost changes on a timely basis in Missouri, similar to those
22 it has in Kansas, Oklahoma, Arkansas and the FERC, it is unlikely that this general

1 Missouri rate filing would have been necessary.

2 **Q. HOW HAS THE IEC FOR EMPIRE RECOVERED ENERGY COSTS**
3 **HISTORICALLY?**

4 A. Neither of the IECs that have been used by Empire historically has resulted in the
5 recovery of actual energy costs. Specifically, the first IEC authorized in Case No.
6 ER-2001-299 resulted in a 100 percent refund of the actual IEC revenue collected,
7 and the current IEC has resulted in a significant under recovery of actual energy
8 costs, driving the need to file this rate case.

9 **Q. WHAT WAS EMPIRE'S EXPERIENCE WITH THE FIRST IEC**
10 **AUTHORIZED IN ER-2001-299?**

11 A. It was only in place for 14 months. The IEC established in ER-2001-299 included a
12 base cost of energy of \$25.20 per megawatt-hour ("Mwh") sold. It also established
13 a ceiling cost of energy of \$30.60 per Mwh sold. This IEC was implemented on
14 October 2, 2001 and discontinued on December 1, 2002. The first IEC was
15 somewhat different than the current IEC in that it included the capacity charges
16 associated with power purchased from third parties.

17 **Q. WHY WAS THE IEC DISCONTINUED?**

18 A. Subsequent to the implementation of the IEC, energy prices declined and Empire
19 refunded 100 percent of the IEC revenue it had recovered from the customers
20 during its term with interest. The discontinuance of the IEC meant that Empire
21 recovered the floor cost in its base electric rates, and to the extent it was able to
22 produce or acquire electricity at a cost below the floor of \$25.20 per Mwh, it
23 retained the added profit, essentially the same process that had been in place prior

1 to the advent of the IEC.

2 **Q. HOW MUCH OF AN ENERGY COST UNDERRECOVERY HAS**
3 **OCCURRED UNDER THE CURRENT IEC?**

4 A. The current IEC charge of \$0.002131 per kilowatt-hour ("kWh"), which was
5 authorized in Case No. ER-2004-507, has resulted in an under recovery of Missouri
6 retail energy costs of approximately \$13.5 million for the period beginning March
7 27, 2005, through December 31, 2005. During the suspension period of this rate
8 case, the shortfall in annual energy cost recovery is projected grow and could reach
9 \$19.0 million on an adjusted test year basis (See the direct testimony of Todd W.
10 Tarter). This level of annual energy cost under-recovery is very significant and if
11 the adjusted test year levels are actually incurred, would represent approximately 58
12 percent of the \$32.9 million annual return on equity authorized by the Commission
13 in ER-2004-570. We cannot continue to have actual fuel and purchased power
14 expenses used to supply our customers significantly exceed the assumed level of
15 the expenses that are built into the rates we are allowed to charge if we are to be
16 given a reasonable opportunity to earn our authorized return on equity. Obviously,
17 this level of under-recovery of energy costs cannot be sustained by the Company for
18 an extended period of time.

19 **Q. PLEASE DESCRIBE SECTION D, SCHEDULE 1, RATE BASE AND RATE**
20 **OF RETURN.**

21 A. Section D, Schedule 1 details the Company's electric rate base and rate of return
22 before and after the proposed rate increase. For the test year ending September 30,
23 2005, end of period balances are used for electric plant in service and reserve for

1 depreciation. Materials and supplies and prepayments are the average of the
2 thirteen consecutive month-end balances ending September 30, 2005. Regulatory
3 assets adjusted for known and measurable changes were included. In addition, the
4 cash working capital requirement that is based on adjusted income has been added
5 to rate base. Offsets to the rate base are also displayed on Section D, Schedule 1.
6 These include: injuries and damages, deferred income taxes, Investment Tax Credit
7 balances pre-1971, customer deposits, customer advances, interest synchronization
8 offset and an income tax offset.

9 The total original cost electric rate base is \$625,454,772 (Line 15) which is
10 multiplied by the required rate of return of 9.55% (Line 22) to arrive at an after tax
11 operating income requirement of \$59,730,931 (Line 21). This operating income
12 requirement is subtracted from the Company's adjusted operating income of
13 \$41,547,126 (Line 16) and results in the after tax operating income deficiency of
14 \$18,183,804 (Line 17) or the pre-tax revenue deficiency of \$29,513,713 (Line 20)
15 which was requested in the filing with the Commission.

16 **Q. PLEASE DESCRIBE SECTION E, SCHEDULE 1, ELECTRIC PLANT IN**
17 **SERVICE BY PRIMARY PLANT ACCOUNT.**

18 **A.** Section E, Schedule 1, Pages 1 and 2 display by classified functional electric plant
19 in service groups, the original cost of electric plant used and useful at September
20 30, 2004 and 2005. Total electric plant in service at September 30, 2005, is
21 \$1,250,722,687 (Column E) and \$1,065,089,423 for the portion representing
22 Empire's Missouri retail jurisdiction (Column F).

1 **Q. PLEASE DESCRIBE SECTION F, SCHEDULE 1.**

2 A. Section F, Schedule 1 is a statement of accumulated provision for depreciation of
3 electric plant in service showing balances by functional plant groups at September
4 30, 2004 and 2005. The total accumulated provision for depreciation of electric
5 plant in service at the end of the test year is \$439,468,210 (Column E) and
6 \$375,326,329 for our Missouri jurisdiction (Column F).

7 **Q. PLEASE EXPLAIN SECTION G, SCHEDULE 1 THROUGH SCHEDULE 3.**

8 A. Section G, Schedule 1 computes test year amounts of materials and supplies using a
9 13-month average. Prepayments are also calculated based on a 13-month average.
10 Section G, Schedule 2 computes projected cash working capital for the twelve
11 months ended September 30, 2005. The expense and revenue lag for each
12 component is the same as used by the Staff in Case No. ER-2004-570. The
13 computation, using normalized test year expenses and revenues, results in a cash
14 working capital requirement of \$2,539,620. Section G, Schedule 3 and Schedule 4,
15 calculate the Company's income tax gross-up factor as well as cash working capital
16 associated with income taxes and interest expense. In addition, the calculations are
17 shown for interest and income tax offsets to rate base.

18 **Q. PLEASE DESCRIBE SECTION H, SCHEDULE 1.**

19 A. Section H, Schedule 1 displays a summary of the capital structure of the Company
20 as of September 30, 2005 and an adjusted capital structure using 51.45 percent
21 equity, 42.45 percent long-term debt and 6.11 percent Trust Preferred Securities.
22 The return on common equity has been set at 11.7 percent which is proposed by

1 Empire witness Dr. James H. Vander Weide. Based on an 11.7 percent return on
2 equity and the Company's current capital structure, the Company's overall
3 requested return on rate base is 9.55 percent.

4 **Q. PLEASE DESCRIBE SECTION H, SCHEDULE 2.**

5 A. Section H, Schedule 2 lists the Company's trust preferred stock, which was issued
6 March 1, 2001.

7 **Q. PLEASE EXPLAIN SECTION H, SCHEDULE 3.**

8 A. Section H, Schedule 3 lists each series of the Company's first mortgage bonds
9 outstanding along with any associated unamortized expense, discount and premium
10 at September 30, 2005, in columns A and B. Columns C and D reflect the first
11 mortgage bonds that would be necessary to meet the adjusted capital structure as
12 reflected in Section H, Schedule 1.

13 **Q. WHAT IS CONTAINED IN SECTION H, SCHEDULE 4?**

14 A. Section H, Schedule 4, details Empire's capital structure for first mortgage bonds
15 and trust preferred securities. It shows an embedded rate of 7.04 percent for first
16 mortgage bonds. The rate for the trust preferred series is 8.91 percent.

17 **Q. PLEASE DESCRIBE SECTION J, SCHEDULE 1.**

18 A. Section J, Schedule 1 is a test year income statement with adjustments to normalize
19 test year electric operations. Column A reflects total Company results for the
20 twelve months ending September 30, 2005. Column B summarizes adjustments to
21 total Company electric operations. Column C is the total Company income
22 statement as adjusted for purposes of this rate case. Column D reflects the as

1 recorded Missouri jurisdictional results for twelve months ending September 30,
2 2005. Column E displays the Missouri jurisdictional electric operating statement
3 adjustments and Column F summarizes the as adjusted Missouri jurisdictional
4 income statement. As indicated, after the posting of the various adjustments to the
5 Missouri jurisdictional operations, the current rates are expected to produce
6 \$41,547,126 in Net Operating Income ("NOI") or an overall return on rate base of
7 6.64 percent.

8 **Q. PLEASE DISCUSS SECTION J, SCHEDULE 2.**

9 A. Section J, Schedule 2 summarizes the following adjustments to the electric
10 operations test year amounts as shown on Section J, Schedule 1: Total Company
11 and Missouri revenues are adjusted to reflect customer numbers at September 30,
12 2005, normal weather for the test year, to exclude water related revenues, to
13 eliminate a discount given to a large industrial customer, to eliminate the impact of
14 prior period billing corrections and to reflect a full year of the rate increase granted
15 by the Commission in ER-2004-570. In addition, off-system sales revenue has
16 been adjusted to reflect a five-year average. The year-end customer adjustment
17 annualizes the revenues to reflect what would have been received if the year-end
18 level of customers had been served by the Company for the entire test year. Ms.
19 Jayna Long of the Company will describe the retail revenue adjustments in greater
20 detail in her direct testimony including the process used to adjust the Missouri
21 jurisdictional revenue for customer growth, the recently authorized Missouri
22 electric rates and weather normalization.

1 **Q. PLEASE EXPLAIN THE ADJUSTMENTS TO EXPENSES.**

2 A. Total Company production costs have been increased by \$24,953,037 which factors
3 down to \$20,516,120 for the Missouri retail jurisdiction. Included in this total are
4 two adjustments related to amortization, the Asbury Relocation Cost for \$135,420
5 and Operating Plant Service Agreement ("OPSA") amortization of \$151,484. Also
6 included is an adjustment to normalize test year payroll costs. This adjustment
7 increases the pro forma production expense for the Company by a total of \$260,344
8 with \$214,052 being for the Missouri jurisdictional portion of production expenses.
9 The adjusted payroll expense included in the filing reflects the wages at October 16,
10 2005, adjusted for known changes, positions that are currently authorized but
11 unfilled, the union increase that occurred in November 2005, and non-union payroll
12 increases scheduled to go into effect in the spring of 2006. Fuel and purchased
13 power costs have been normalized to reflect customer growth, weather and future
14 fuel and energy prices. Mr. Tarter will discuss this adjustment in greater detail in
15 his direct testimony. The fuel and purchased power energy adjustment resulted in
16 an increase in total production expense of \$24,405,789 with \$20,066,179 of that
17 attributable to the Company's Missouri jurisdictional operations. As I noted at the
18 outset, the increase in fuel and energy prices is the primary factor driving the need
19 for Empire to file this general rate case.

20 **Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO THE**
21 **TRANSMISSION EXPENSE LEVELS.**

22 A. The Missouri jurisdictional transmission expenses were increased by \$27,465 to

1 reflect the annualized payroll costs. Missouri jurisdictional transmission expenses
2 were also reduced \$195,175 to remove a Flint Creek billing. This represents a
3 billing for work performed in a prior period.

4 **Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO THE**
5 **DISTRIBUTION EXPENSES.**

6 A. Missouri jurisdictional distribution expenses were increased by \$167,484 to reflect
7 the annualized payroll costs.

8 **Q. PLEASE CONTINUE WITH AN EXPLANATION OF THE**
9 **ADJUSTMENTS MADE TO CUSTOMER ACCOUNTS EXPENSE.**

10 A. Missouri jurisdictional customer accounts expense was adjusted to reflect an
11 increase in payroll expense of \$73,424. In addition, Missouri jurisdictional
12 customer accounts expense was increased to reflect the recent increase in postage
13 costs of \$35,223 and an increase in the billing costs associated with customer
14 growth of \$5,987.

15 **Q PLEASE DESCRIBE THE ADJUSTMENT MADE TO CUSTOMER**
16 **ASSISTANCE AND SALES EXPENSES.**

17 A Each of the expense levels in these areas was increased to reflect the ongoing level
18 of payroll costs. Specifically, Missouri jurisdictional customer assistance was
19 increased by \$18,312 and Missouri jurisdictional sales expense was increased by
20 \$5,768.

21 **Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO ADMINISTRATIVE**
22 **AND GENERAL EXPENSES.**

1 A. Missouri jurisdictional administrative and general expenses were increased by a
2 total of \$1,826,994 through a series of ten (10) adjustments. Of the total, \$7,956
3 was associated with increased 401(k) costs. The amortization of the FAS 87
4 tracking asset resulted in an increase in costs of \$194,077. The method used to
5 calculate the adjustment for FAS 87 and the Company's recommendation
6 concerning future FAS 106 costs are discussed in the direct testimony of Company
7 witness Ms. Laurie Delano. Common stock expenses were amortized over three
8 years resulting in an increase in expenses of \$1,161,284. Missouri jurisdictional
9 administrative and general expenses have been increased by \$148,236 to reflect
10 adjusted payroll expense. Missouri jurisdictional property insurance expenses were
11 reduced by \$109,399 to reflect ongoing property insurance costs. Missouri
12 jurisdictional administrative and general expenses were reduced by \$5,520 to reflect
13 the current level of the Commission's annual assessment. Missouri jurisdictional
14 administrative and general expenses have been reduced \$56,745 to reflect a
15 reduction in the banking fees associated with the Company's new Line-of-Credit
16 ("LOC"). Missouri jurisdictional outside services expenses were increased \$50,000
17 to reflect the consulting expenses expected to be incurred in connection with the
18 Company's upcoming Integrated Resource Plan ("IRP"). In addition,
19 administrative and general expenses have been increased \$5,300 to reflect the
20 amortization of a regulatory asset that is associated with the Company's authorized
21 Demand-Side Management programs. Ms. Sherry McCormack of the Company
22 will address the DSM adjustment in more detail in her direct testimony. Rate case

1 expenses were also increased by \$431,805 to reflect the costs associated with the
2 current rate case and a proposal to shorten the amortization period from three years
3 to two years. In addition, the rate case expenses and associated amortization
4 expense associated with the prior rate case, ER-2004-570 have been adjusted to
5 reflect a two-year amortization period instead of the three-year amortization period
6 included in the last rate case.

7 **Q. WHY IS IT NECESSARY TO ADJUST THE AMORIZATION PERIOD**
8 **FOR THE RATE CASE EXPENSES ASSOCIATED WITH THE PRIOR**
9 **RATE CASE?**

10 **A.** The adjustment to the amortization period is needed to more accurately reflect rate
11 case expenses on a going forward basis. Without this adjustment the amortized rate
12 case expenses would reflect a three-year amortization period for the prior rate case
13 and two-year amortization period for the current rate case. By making the
14 remaining amortization period consistent for each rate case the Company can
15 simplify its amortization accounting related to rate case expense and better match
16 rate case expense recovery with the rates coming out of this rate case. The two-year
17 amortization proposal is conservative given the projected completion date
18 associated with the Company's new generation unit at Riverton. The new unit is
19 expected to be in service by the late spring of 2007 and in all likelihood this
20 investment will necessitate a new general rate filing to reflect the substantial new
21 investment in the Company's cost of service. This would mean that the rates
22 coming out of this filing, assuming an effective date of December 2006, could be in

1 place less than one year.

2 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO DEPRECIATION**
3 **EXPENSE.**

4 A. The Depreciation expense adjustment resulted in an increase of \$3,466,844 and
5 \$3,065,531 for the total Company and the Missouri jurisdiction, respectively. The
6 increase incorporates the results of the depreciation rates authorized by the
7 Commission in ER-2004-570 and the plant in service balances at September 30,
8 2005.

9 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF SECTION J,**
10 **SCHEDULE 2.**

11 A. Taxes other than income taxes have been increased by \$246,547 for the total
12 Company or \$209,674 for the Missouri jurisdiction to reflect the impact of plant in
13 service at September 30, 2005 on ad valorem taxes, and to include the impact of the
14 projected change in payroll taxes due to the annualized payroll expense.

15 The next five adjustments to the statement of operations are related to income taxes
16 as a result of the adjustments that were made above and also to adjust book income
17 taxes to income taxes calculated on a Missouri regulatory basis.

18 The last adjustment involves interest on customer deposits and is made to move the
19 interest associated with these deposits above the line, which is consistent with past
20 Missouri Staff adjustments.

21 **Q. IN SOME INSTANCES, THE ADJUSTMENTS FOR THE MISSOURI**
22 **JURISDICTION AND TOTAL COMPANY ARE THE SAME; WOULD**
23 **YOU PLEASE EXPLAIN?**

1 A. Several of the adjustments are calculated for the Missouri jurisdiction only for
2 purposes of this case, which is why some of the adjustments are the same. For
3 example, rate case expense was calculated for the Missouri jurisdiction only.

4 **Q. WILL YOU PLEASE DESCRIBE SECTION K, SCHEDULE 1?**

5 A. Section K includes the plant investment information and related depreciation rates
6 used to calculate the adjustment associated with depreciation expense. Section K,
7 Schedule 1, Column A lists, by plant account number, the authorized depreciation
8 rates. Columns B and C show the total Company and Missouri jurisdictional test
9 year depreciation accruals.

10 **Q. PLEASE DESCRIBE SECTION K, SCHEDULE 2.**

11 A. Section K, Schedule 2 displays Empire's normalized depreciation on electric plant
12 in service at September 30, 2005. Page 4 of Section K, Schedule 2 is a summary of
13 the depreciation accruals and expense adjustments. It shows the proposed Missouri
14 jurisdictional depreciation expense adjustment of \$3,065,531.

15 **Q. PLEASE DESCRIBE SECTION L OF THE SUPPORTING SCHEDULES.**

16 A. Section L of the Supporting Schedules reflects the information necessary to
17 properly reflect the ongoing level of income taxes for purposes of this rate case. It
18 is comprised of two schedules which contain the information necessary to develop
19 the ongoing income tax levels. Schedule 1 is a statement of taxes charged to
20 electric operations including the effects of the pro forma adjustments on the test
21 year operations. Schedule 2 starts with net income. Income taxes have been added
22 to arrive at net operating income before income taxes. From this point, the income

1 before income taxes is adjusted to take into account various additions and
2 deductions from income to arrive at taxable income. In addition, Schedule 2
3 displays the calculation of federal and Missouri income taxes payable for the twelve
4 months ending September 30, 2005, the test year Empire has utilized in this filing.
5 Lines 24 and 28 (Column D) include the current portion of total federal and
6 Missouri state income taxes charged to electric operations for determining the rate
7 of return.

8 **Q. PLEASE DESCRIBE THE JURISDICTIONAL ALLOCATION FACTORS**
9 **DISPLAYED IN SECTION M OF THE SUPPORTING SCHEUDLES.**

10 A. Section M, Schedule 1 contains a summary description of the Empire jurisdictional
11 allocation process and some of the basic reasons a particular allocation factor is
12 utilized. It explains what allocations are necessary and defines the allocation
13 factors used for allocating rate base, revenue and expense. In general, the types of
14 jurisdictional allocation factors used in this rate case are identical to those used in
15 ER-2004-570, the most recent rate case. Of course, the values used to derive the
16 jurisdictional allocation factors have been updated to reflect the current test year
17 values.

18 **Q. WHAT METHOD WAS USED TO DERIVE EMPIRE'S JURISDICTIONAL**
19 **DEMAND ALLOCATION FACTORS?**

20 A. The average of twelve monthly coincident peak demands by jurisdiction was used
21 to jurisdictionally allocate production and transmission costs.

22 **Q. WHY HAS THE COMPANY ELECTED TO USE THIS METHOD FOR**

JURISDICTIONAL DEMAND ALLOCATIONS?

1
2 A. During prior rate proceedings as well as our last electric rate proceeding, the
3 Commission accepted the use of the average monthly coincident peaks for
4 jurisdictional allocations. Additionally, this method was used by our other four
5 jurisdictions for jurisdictional allocations. The Company needs to keep the
6 jurisdictional allocations consistent between our service territories to ensure full
7 allocation of production and transmission costs.

8 **Q. PLEASE GIVE A BRIEF DESCRIPTION OF THE AVERAGE OF**
9 **TWELVE MONTHLY COINCIDENT PEAK DEMAND ALLOCATION**
10 **METHOD.**

11 A. The monthly coincident peak (CP) demands for the test year are determined for the
12 following jurisdictions: (a) Missouri wholesale; (b) Kansas wholesale; (c) Missouri
13 retail; (d) Kansas retail; (e) Oklahoma retail; and (f) Arkansas retail. An average of
14 the monthly CP demands is calculated for each of the above jurisdictions. These
15 average monthly CP demands are then used to allocate production and transmission
16 costs to each of the Company's jurisdictions, see Section M Schedule 2 attached to
17 this testimony.

18 **Q. HOW WERE THE MONTHLY COINCIDENT DEMANDS BY**
19 **JURISDICTION OBTAINED?**

20 A. In 1980, the Company installed metering at points where transmission and
21 distribution lines crossed state boundaries. The demand readings at the time of
22 monthly system peak for each of the metering points are combined with generation

1 and tie line data to calculate the jurisdictional demands.

2 **Q. PLEASE DESCRIBE SECTION M, SCHEDULE 2, CONSISTING OF**
3 **EIGHT PAGES.**

4 A. Empire operates as an integrated company in contiguous areas of Kansas, Missouri,
5 Oklahoma and Arkansas. With very few exceptions, the Company's operations and
6 costs are uniform throughout its service area and allocations of property and
7 expenses are made only for the purpose of presenting the results of operations by
8 individual state. These allocations are consistent with prior rate cases filed by the
9 Company.

10 Section M, Schedule 2 shows the many components of rate base, revenue and
11 expense as they are allocated to the various ratemaking jurisdictions under which
12 we operate. The dollar amounts and percentages applicable to each jurisdiction are
13 shown for each item, as well as a reference to the item number in this schedule that
14 serves as the basis for allocation of the total Company dollar amount. Such
15 allocations are necessary for a determination of net electric operating income by
16 state in order to derive a rate of return on rate base for each state.

17 **LOSS STUDY**

18 **Q. HAS THE COMPANY CONDUCTED A STUDY TO DETERMINE LOSS**
19 **PERCENTAGES AT THE VARIOUS VOLTAGE LEVELS?**

20 A. Yes, the Company conducted a loss study on April 12, 2004. This loss study
21 derived losses for the following service levels: (a) transmission/substation load and
22 no-load; (b) distribution primary load and no-load; and (c) distribution secondary

1 load and no-load.

2 **PROPOSED TARIFFS**

3 **Q. IS THE COMPANY RECOMMENDING OTHER CHANGES TO THE**
4 **TARIFF SHEETS?**

5 A. Yes. In addition to the implementation of an ECR, the Company is recommending
6 that the Green tariff be eliminated. Finally, the Company is recommending that the
7 existing Street Lighting tariffs be reviewed to reflect the impact of competition
8 from non-regulated rural electric cooperatives ("REC's"). Mike Palmer of Empire
9 will address this situation in his direct testimony.

10 **Q. HOW IS THE COMPANY PROPOSING TO SPREAD THE REQUESTED**
11 **INCREASE AMONG ITS CURRENT RATES?**

12 A. Due to the very short life of the rates coming out of the last rate case, ER-2004-507,
13 Empire has proposed to spread the rate increase to all of the charges in its tariffs in
14 the form of an across the board increase, with an equal percentage increase to each
15 rate class.

16 **Q. IS THE COMPANY PROPOSING ANY FUNDAMENTAL CHANGES IN**
17 **ITS CAPACITY CHARGES IN THIS PROCEEDING?**

18 A. Not in its initial filing. Empire has retained an outside consultant, Mr. Ed Overcast
19 of R.J. Rudden & Associates, to assist in the analysis of its embedded distribution
20 costs and the propriety of instituting a separate demand/facilities charge to recover a
21 portion of these distribution costs. This process was agreed to by Empire in its last
22 general rate proceeding, but the timing of the next rate case was expected then to

1 occur near the end of 2006, not the beginning. The timing of this general rate filing
2 has not allowed Empire to complete its distribution facilities charge analysis and
3 include the results in its initial rate filing. We expect our analysis to be completed
4 by the second quarter of 2006 and will make the results available to the various
5 parties that become involved in this case and express an interest in reviewing the
6 results. The timing of the completion of our analysis should enable it to be used in
7 the design of the final rates that come out of this proceeding.

8 **ENERGY COST RECOVERY (ECR)**

9 **Q. PLEASE DESCRIBE THE ECR TARIFF THE COMPANY IS PROPOSING**
10 **IN THIS CASE.**

11 **A.** The Company's proposed ECR tariff has been included in the proposed tariffs as
12 Sheet __ of Sheet __. As indicated, the tariff sheet describes just how the proposed
13 ECR mechanism will work. I have attached a copy of the proposed ECR tariff
14 sheet to my testimony as Schedule WSK-3. Several of the major features of the
15 tariff are:

- 16 • Changes in the ECR factor will be based upon the historical difference between
17 the cost of fuel and energy that is built into base rates and the actual cost of fuel
18 and energy
- 19 • Costs included in the ECR calculation will be based upon the actual historical
20 expenses recorded in FERC accounts 501, 547 and 555. In addition, the ECR
21 will include the recovery of emission allowance costs (sulfur dioxide) recorded
22 in FERC account 509.
- 23 • Costs included in the ECR calculation will exclude the capacity charges

1 associated with purchased power contracts whose term is greater than one year
2 in length.

- 3 • Only two changes in the ECR factor will be made each year, one in June and
4 one in December.
- 5 • The base cost of energy under the ECR will be established at \$0.02999 per
6 kilowatt-hour sold
- 7 • Over/under recoveries of energy costs will be refunded/collected automatically
8 from Missouri retail customers through the operation of the tariff
- 9 • Over/under recoveries of energy costs will be recorded on the books of the
10 Company in FERC accounts using an asset/liability account to track over/under
11 recoveries of energy costs on the balance sheet and an offsetting revenue
12 account to reflect the over/under recoveries of energy costs on the income
13 statement. This will ensure that net operating income is not distorted by
14 over/under recoveries of energy costs. In addition, this accounting process will
15 leave an audit trail for internal and external auditors. This feature will be very
16 useful if any periodic prudence reviews are included as part of the
17 Commission's final fuel adjustment rule.

18 **Q. WAS THE ECR BEING PROPOSED BY EMPIRE IN THIS RATE CASE**
19 **AND THE INFORMATION BEING SUBMITTED WITH THE ECR**
20 **DESIGNED TO COMPLY WITH MISSOURI LAW?**

21 **A.** I believe they were. Empire has designed its proposed ECR to comply with Section
22 386.266 of the Missouri statutes, which some may refer to as Senate Bill 179, and

1 what we understand will be the Commission rules implementing the new law. To
2 the extent that changes take place between now and the approval of a final version
3 of the rules, Empire intends to modify its ECR proposal to comply.

4 **Q. PLEASE DESCRIBE THE ADDITIONAL INFORMATION THAT HAS**
5 **BEEN INCORPORATED IN THE FILING TO COMPLY WITH**
6 **EMPIRE'S UNDERSTANDING OF THE COMMISSION'S RULE.**

7 A. We have included information associated with the following:

- 8 • Proposed ECR tariff, Schedule WSK-3
- 9 • An example customer billing with a separate line item for the ECR factor,
10 Schedule WSK-4
- 11 • Customer notice of proposed implementation of an Energy Cost Recovery rider,
12 Schedule WSK-5
- 13 • Testimony regarding business risk and the ECR
- 14 • Testimony concerning the resource mix that Empire expects to use to meet its
15 customers electric requirements over the next four years
- 16 • Testimony describing Empire's long-term resource planning process

17 **Q. WILL THE ECR TARIFF AND THE RECOVERY/REFUND MECHANISM**
18 **PROVIDE EMPIRE SUFFICIENT OPPORTUNITY TO EARN A FAIR**
19 **RETURN ON EQUITY?**

20 A. I believe so. The adjustment mechanism Empire has proposed is a significant
21 improvement over the current fuel and energy cost recovery mechanism Empire
22 uses in Missouri, the IEC. During periods of extreme fuel and energy price

1 fluctuations, the ECR will recover increases in energy costs and refund decreases in
2 energy costs in such a way that the Missouri retail customers will only reimburse
3 Empire for its actual prudently incurred fuel and energy costs.

4 **Q. WAS THE ECR PROPOSED BY EMPIRE DESIGNED TO WORK WITH**
5 **ANY PRUDENCE REVIEW PROCEDURES ENACTED BY THE**
6 **COMMISSION?**

7 A. Yes. The proposal is flexible and will allow the Commission to adjust the amount
8 of ECR recovery if any cost disallowances are made as the result of a prudence
9 review. As I mentioned earlier, the accounting procedures will involve an audit
10 trail that should facilitate the audit process associated with prudence reviews.

11 **Q. DOES THE ACCOUNTING AND BILLING PROCESS ENVISIONED IN**
12 **THE ECR PROPOSAL ENABLE EMPIRE TO TRACK ECR REVENUES**
13 **AS A DISCRETE REVENUE STREAM?**

14 A. Yes. ECR revenue will be billed as a separate line item on each customer's bill and
15 the ECR revenue will be segregated on the Empire books and records to facilitate
16 the accounting and audit process.

17 **Q. WERE OFF-SYSTEM SALES REVENUES CONSIDERED AS A**
18 **COMPONENT OF THE PROPOSED ECR?**

19 A. No. Off-system sales have been addressed entirely as a component of base electric
20 rates.

21 **Q. HAVE THE EMPIRE CUSTOMERS BEEN NOTIFIED OF THE REQUEST**
22 **TO IMPLEMENT AN ENERGY COST RECOVERY RIDER?**

1 A. Yes. In addition, to the normal notice requirements that go with any general rate
2 filing, Empire has prepared a notice that describes the request to implement an
3 ECR. I have attached a copy of this notice as Schedule WSK-5.

4 **Q. WAS THE ECR DESIGNED TO PRODUCE A DIFFERENT ECR FACTOR**
5 **FOR EACH RATE OR CUSTOMER CLASS?**

6 A. No. Each customer class will have the same ECR factor under the Empire
7 proposal. This will greatly simplify the process in terms of calculation, the true-up
8 of any over or under recovery balances and customer notification requirements. In
9 addition, this represents no change from the current IEC process. There is only one
10 IEC to track, not multiple IECs.

11 **Q. DOES THE IEC AS CURRENTLY CONFIGURED RECOVER THE**
12 **ACTUAL COST OF PRUDENTLY INCURRED FUEL AND ENERGY**
13 **COSTS?**

14 A. No. The mechanism is inflexible. Energy costs recovered in rates are essentially
15 fixed, although within a spectrum, and it does not track the changes in energy costs
16 as they are incurred. History shows that energy costs are volatile and the IEC does
17 not properly account for that fact. The IEC as currently authorized for use by
18 Empire does not recover 100 percent of prudently incurred fuel and purchased
19 power costs. It does not necessarily enable Empire to recover 100 percent of the
20 increases in energy costs and it has the potential to only partially refund 100 percent
21 of decreases in energy costs if energy costs decline.

22 **Q. COULD YOU ELABORATE ON THAT?**

23 A. The current IEC has not allowed Empire to recover all of the increases in energy

1 costs that have occurred since March of 2005, thus driving the need for the current
2 general rate filing. The current IEC mechanism and its recovery of energy costs is
3 not that much different from base rate recovery of fuel and energy costs.

4 **Q. PLEASE COMPARE THE IEC AND IT RECOVERY OF ENERGY COSTS**
5 **TO THE ENERGY COST RECOVERY IN PLACE PRIOR TO THE**
6 **IMPLEMENTATION OF THE IEC.**

7 A. Prior to the implementation of the IEC, base electric rates were designed to recover
8 a certain level of fuel and energy costs in each rate case. Various parties to a rate
9 case each presented their estimates of future fuel and energy costs and the
10 Commission was usually forced to choose between one or a combination of the
11 various positions unless a settlement of this issue was reached between the various
12 parties. Thus, the average level of energy costs recovered per kWh was fixed until
13 the next general rate proceeding. Any variation in the average cost of energy was
14 absorbed by the utility. The current IEC mechanism is not that much different. It
15 establishes a floor and a ceiling in the average cost of energy collected in base
16 electric rates within the context of a general rate proceeding. To the extent the
17 average cost of energy exceeds the ceiling, the utility still absorbs the increase as it
18 did prior to the implementation of the IEC and to the extent average costs decline
19 below the floor the utility retains the added margin, just as it did prior to the IEC. It
20 is only when the actual cost of energy incurred by the utility is between the floor
21 and the ceiling that the IEC results in the recovery of the actual average cost of
22 energy. During periods of extreme price volatility, the recovery of a utility's actual

1 energy cost through an IEC is unlikely, while the ECR proposed by Empire matches
2 rate recovery with the actual cost incurred. The fact that the ECR only recovers the
3 actual cost of energy can produce benefits for all parties, including the Missouri
4 retail customer.

5 **Q. DOES THE USE OF AN IEC IN MISSOURI ELIMINATE THE NEED TO**
6 **FORECAST AN AVERAGE COST OF ENERGY IN A GENERAL RATE**
7 **PROCEEDING?**

8 A. No. In fact, the IEC has the potential to double this forecasting requirement. The
9 Commission must not only establish the base cost of energy to be recovered in base
10 electric rates, the floor, the Commission must establish a reasonable energy cost
11 ceiling in the IEC rate if the utility is to have any reasonable chance to earn the rate
12 of return authorized in the rate case. Thus, the need to forecast future changes in
13 energy costs is in no way diminished by the use of an IEC. During periods of
14 extreme fuel and energy price volatility, the accurate forecast of future energy costs
15 and prices is extremely difficult if not impossible. This fact was brought out in the
16 testimony of the Commission Staff during the last Empire rate case, as mentioned
17 in the direct testimony of Mr. Tartar.

18 **Q. WHAT BENEFITS DO YOU SEE ASSOCIATED WITH THE USE OF THE**
19 **ECR PROPOSED BY EMPIRE?**

20 A. I believe the benefits are significant for all of the stakeholders. First, Empire will
21 benefit by being able to recover its actual fuel and energy costs through the ECR.
22 This will strengthen its financial profile and ability to attract the financing
23 necessary to meet its growing customer needs at the best rates possible. In addition,

1 the need to file general rate cases for the primary purpose of recovering increases in
2 fuel and energy costs will be eliminated. A reduction in the number of general rate
3 cases will ultimately lower the cost of service to the customer.

4 **Q. HOW WILL THE COMMISSION BENEFIT?**

5 A. The Commission will benefit in a couple of areas. First, the need to forecast fuel
6 and energy expenses during periods of extreme price volatility in a general rate
7 proceeding will be eliminated. This will eliminate one of the most contentious
8 issues that can arise during rate proceedings, and produce protracted levels of
9 direct, rebuttal and surrebuttal testimony, with everyone trying to guess the future
10 accurately. Eliminating that aspect with the ECR means all parties to the rate
11 proceeding will save time and money. The result is a process that is ultimately fair
12 to all sides. The utility will collect its actual cost of fuel and energy and the
13 customer will pay for no more than the actual prudently incurred fuel and energy
14 cost. The customer will benefit automatically if prices decline. We understand the
15 rule proposed by the Commission will include an enhanced surveillance reporting
16 requirement that will enable the Commission to track overall earnings trends of the
17 utilities using an ECR and guard against excessive utility earnings.

18 **Q. HOW WILL THE ECR BENEFIT THE CUSTOMER?**

19 A. In the long run the customer will benefit from the implementation of a properly
20 designed ECR. The customer will only reimburse Empire for the actual cost of fuel
21 and energy, not an estimate of future energy costs. Thus, there will be no over or
22 under reimbursement of cost, and no winners and losers. Empire will have a

1 stronger financial profile and be able to attract the capital necessary to operate its
2 utility system at the best rates possible. Ultimately, this will lower the cost of
3 operations from where it would have been without the ECR. Over the long run the
4 reduction in the number of general rate proceedings and the lower financing costs
5 will lower Empire's cost of doing business and lower the electric rates it needs to
6 charge to operate the system from what it otherwise would be without the ECR.

7 **Q. IS EMPIRE PROPOSING THE ELIMINATION OF THE GREEN POWER**
8 **SCHEDULE, RIDER EGP, IN THIS RATE CASE?**

9 **A.** Yes. Empire is proposing to remove the Experimental Green Power Schedule,
10 Rider EGP, from the electric tariff. According to that schedule, in order for it to
11 become effective, a minimum of 1,000 blocks of Green Power had to have been
12 requested by April 1, 2005, or the tariff would be discontinued effective May 1,
13 2005. This minimum level of participation was not reached and the program was
14 discontinued, so there is no need for the schedule. In addition, Empire is now
15 purchasing 150 megawatts of wind power for its system on a regular basis. This
16 means that a portion of our customer's usage will be provided from this renewable
17 or "green" resource, anyway. We are proposing to remove the rider and make the
18 tariff sheets blank.

19 **Q. IS EMPIRE REQUESTING A TRUE-UP PERIOD AS PART OF ITS**
20 **REQUEST IN THIS CASE?**

21 **A.** Yes. Empire is requesting that the financial information be updated as of March 31,
22 2006.

23 **Q. WHAT IS THE PURPOSE OF A TRUE-UP?**

1 A. The true-up will enable all of the parties to the proceeding to use financial
2 information that is closer to the effective date of the new tariffs that will become
3 effective as part of this rate case. All of the major components used to develop the
4 new revenue requirement should be updated, including rate base, operating
5 revenues and operating expenses.

6 **Q. WHAT AREAS OF THE EMPIRE REVENUE REQUIREMENT SHOULD**
7 **BE UPDATED THROUGH MARCH 31, 2006?**

8 A. The revenue requirement should be updated to recognize all of the significant
9 changes that have occurred through March 31, 2006. Among those areas where
10 significant changes can occur are:

- 11 • Net Plant in Service
- 12 • Revenue
- 13 • Fuel and Purchased Power Cost
- 14 • Payroll Cost
- 15 • Depreciation
- 16 • Capital Cost

17 **Q. IS THIS A COMPLETE LIST OF ALL OF THE ITEMS THAT MAY BE**
18 **INVOLVED IN THE TRUE-UP?**

19 A. No. Empire anticipates working with all of the parties that become involved in the
20 rate case to develop a complete list of items that will be included in the true-up.

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 A. Yes.

LIST OF SCHEDULES

Schedule No.	<u>Description</u>
WSK-1	Schedules Supporting Revenue Requirement
WSK-2	Proposed ECR Base
WSK-3	Energy Cost Recovery Tariff
WSK-4	Example Customer Bill with an ECR factor
WSK-5	Notice

INDEX TO WSK-1

<u>Section No.</u>	<u>Schedule No.</u>	<u>Description</u>
C	1	Comparative and Summary Information
D	1	Rate Base and Rate of Return
E	1	Electric Plant in Service by Primary Account
F	1	Accumulated Provision for Depreciation
G	1	Working Capital
G	2	Cash Working Capital
G	3	Income Tax and Interest Expense Factors
H	1	Capital Structure at September 30, 2005
H	2	Preferred Stock
H	3	Long-Term Debt
H	8	Capital Costs and Structure
J	1	Test Year Operating Income Statements
J	2	Test Year Adjustments
K	1	Depreciation Rates and Accruals
K	2	Normalized Depreciation Expense
L	1	Taxes Charged to Electric Operations
L	2	Income Tax Calculation
M	1	Bases of Allocation
M	2	Allocation of Rate Base Items

The Empire District Electric Company
Comparative and Summary Information

Section C
Schedule 1
01/17/2006

1. Total test year revenues at existing rates	\$306,470,019
2. Total test year revenues at proposed rates	\$335,983,732
3. Percentage change in revenues	9.63%
4. Test year rate base	\$625,454,772
5. Rate base as filed in case no. ER-2004-0570	\$611,396,947
6. Return on rate base during the test year under existing rates	6.64%
7. Return on rate base under proposed rates	9.55%
8. Return on equity during the test year under existing rates	6.05%
9. Return on equity under proposed rates	11.70%
10. Total operating expenses as filed in case no. ER-2004-0570	\$232,266,214
11. Total operating expenses under proposed rates	\$264,922,893

The Empire District Electric Company
Rate Base and Rate of Return

Section D
Schedule 1
01/17/2006

	<u>Missouri</u> <u>Jurisdictional</u>	<u>Reference</u>
1. Electric Plant in Service	\$1,065,089,423	E-1
2. Less: Reserve for Depreciation	<u>375,326,329</u>	F-1
3. Net Electric Plant in Service	689,763,093	
4. Materials and Supplies (13-Month Average)	24,619,917	G-1
5. Regulatory Asset (FAS 87)	16,910,789	
6. Prepayments (13-Month Average)	1,705,358	G-1
7. Cash Working Capital	2,539,620	G-2
<i>Less:</i>		
8. Injuries and Damages	1,434,630	
9. Deferred Taxes	92,987,947	
10. Investment Tax Credit - Pre-1971	575	M-2
11. Customer Deposits	5,481,261	M-2
12. Customer Advances	5,762,032	
13. Interest Offset	3,211,966	G-4
14. Income Tax Offset	<u>1,205,594</u>	G-4
15. Total Original Cost Rate Base	\$625,454,772	
16. Net electric Operating Income Before Effect of Proposed Increase	\$41,547,126	J-1
17. Indicated Rate of Return Before Proposed Increase	6.64%	
18. Proposed Increase (After Taxes)	\$18,183,804	
19. Income Tax Gross-up Factor	1.62308	
20. Proposed Increase (Revenue Requirement)	\$29,513,713	
21. Net Electric Operating Income After Effect of Proposed Increase	\$59,730,931	
22. Indicated Rate of Return After Effect of Proposed Increase	9.55%	H-1

The Empire District Electric Company
Electric Plant in Service
by Primary Plant Account

Section E
Schedule 1
Page 1 of 2
01/17/2006

Number	Account Name	A 09/30/2004 Total Company	B Missouri Jurisdictional	C 09/30/2005 Total Company	D Adjustments	E Pro Forma	F Missouri Jurisdictional
301	Intangible Plant Organization	\$8,001,696	6,792,623	\$8,838,777		\$8,838,777	\$7,526,918
	Production Plant						
	Steam Production Plant						
310	Land and Land Rights	907,690	743,044	907,690		907,690	745,291
311	Structures and Improvements	22,030,871	18,034,694	22,357,966		22,357,966	18,357,811
312	Boiler Plant and Equipment	120,454,404	98,605,194	126,653,192		126,653,192	103,993,150
312	Unit Coal Trains	5,580,296	4,568,087	5,580,296		5,580,296	4,581,903
314	Turbo Generator Units	35,498,856	29,059,723	36,017,230		36,017,230	29,573,240
315	Accessory Electric Equipment	11,337,901	9,281,320	7,366,923		7,366,923	6,048,876
316	Miscellaneous Power Plant Equipment	<u>3,591,340</u>	<u>2,939,907</u>	<u>3,804,119</u>		<u>3,804,119</u>	<u>3,123,508</u>
	Total Steam Production Plant	199,401,358	163,231,970	202,687,416	0	202,687,416	166,423,779
	Hydraulic Production Plant						
330	Land and Land Rights	224,480	183,761	224,480		224,480	184,317
331	Structures and Improvements	556,389	455,465	556,389		556,389	456,843
332	Reservoirs, Dams and Waterways	1,484,577	1,215,290	1,469,845		1,469,845	1,206,869
333	Water Wheels, Turbines & Generators	1,305,038	1,068,317	1,631,522		1,631,522	1,339,620
334	Accessory Electric Equipment	812,324	664,977	812,324		812,324	666,988
335	Miscellaneous Power Plant Equipment	<u>348,853</u>	<u>285,575</u>	<u>349,181</u>		<u>349,181</u>	<u>286,707</u>
	Total Hydraulic Production Plant	4,731,661	3,873,385	5,043,741	0	5,043,741	4,141,344
	Other Production Plant						
340	Land and Land Rights	451,651	369,726	451,651		451,651	370,844
341	Structures and Improvements	14,528,018	11,892,783	14,591,935		14,591,935	11,981,232
342	Fuel Holders, Producers & Accessories	12,649,038	10,354,631	12,688,510		12,688,510	10,418,357
343	Prime Movers	162,439,733	132,974,809	163,794,773		163,794,773	134,489,578
344	Generators	80,130,289	65,595,465	80,221,240		80,221,240	65,868,529
345	Accessory Electric Equipment	14,380,706	11,772,191	14,423,526		14,423,526	11,842,954
346	Miscellaneous Power Plant Equipment	<u>13,842,360</u>	<u>11,331,496</u>	<u>13,953,645</u>		<u>13,953,645</u>	<u>11,457,141</u>
	Total Other Production Plant	298,421,795	244,291,101	300,125,280	0	300,125,280	246,428,634
	Total Production Plant	502,554,814	411,396,456	507,856,437	0	507,856,437	416,993,757
	Transmission Plant						
350	Land and Land Rights	8,677,615	7,103,583	8,698,254		8,698,254	7,142,014
352	Structures and Improvements	2,335,614	1,911,957	2,335,614		2,335,614	1,917,740
353	Station Equipment	81,890,654	67,036,518	81,958,723		81,958,723	67,295,151
354	Towers and Fixtures	777,080	636,125	777,080		777,080	638,049
355	Poles and Fixtures	27,607,463	22,599,748	28,165,538		28,165,538	23,126,326
356	Overhead Conductors and Devices	<u>52,096,276</u>	<u>42,646,538</u>	<u>52,906,168</u>		<u>52,906,168</u>	<u>43,440,508</u>
	Total Transmission Plant	173,384,700	141,934,470	174,841,377	0	174,841,377	143,559,788

The Empire District Electric Company
Electric Plant in Service
by Primary Plant Account

Section E
Schedule 1
Page 2 of 2
01/17/2006

		A	B	C	D	E	F
		09/30/2004		09/30/2005			
<u>Number</u>	<u>Account Name</u>	<u>Total Company</u>	<u>Missouri Jurisdictional</u>	<u>Total Company</u>	<u>Adjustments</u>	<u>Pro Forma</u>	<u>Missouri Jurisdictional</u>
	Distribution Plant						
360	Land and Land Rights	1,611,606	1,437,371	1,651,978		1,651,978	1,475,374
361	Structures and Improvements	9,040,332	8,062,956	9,244,200		9,244,200	8,255,953
362	Station Equipment	60,164,614	53,660,045	62,347,983		62,347,983	55,682,698
364	Poles, Towers and Fixtures	91,490,110	81,598,852	97,742,452		97,742,452	87,293,336
365	Overhead Conductors and Devices	107,762,719	96,112,182	111,652,405		111,652,405	99,716,252
366	Underground Conduit	16,659,905	14,858,755	18,409,899		18,409,899	16,441,796
367	Underground Conductors and Devices	34,676,506	30,927,530	38,371,547		38,371,547	34,269,453
368	Line Transformers	68,471,433	61,068,790	71,274,329		71,274,329	63,654,777
369	Services	47,289,934	42,177,284	50,310,593		50,310,593	44,932,160
370	Meters	15,799,659	14,091,512	15,843,759		15,843,759	14,149,989
371	Installations on Customers' Premises	12,662,856	11,293,839	13,218,212		13,218,212	11,805,124
373	Street Lighting and Signal Systems	<u>10,599,090</u>	<u>9,453,192</u>	<u>11,368,205</u>		<u>11,368,205</u>	<u>10,152,892</u>
	Total Distribution Plant	476,228,766	424,742,307	501,435,562	0	501,435,562	447,829,805
	General Plant						
101.1	Capital Lease	815,081	691,921	815,081		815,081	694,106
389	Land and Land Rights	691,217	586,772	691,217		691,217	588,626
390	Structures and Improvements	9,239,177	7,843,118	9,301,493		9,301,493	7,920,958
391.1	Office Furniture and Equipment	3,453,330	2,931,524	3,459,481		3,459,481	2,946,022
391.2	Computer Equipment	9,419,321	7,996,041	11,049,742		11,049,742	9,409,730
392	Transportation Equipment	6,276,102	5,327,769	6,964,149		6,964,149	5,930,524
393	Stores Equipment	343,778	291,832	343,778		343,778	292,754
394	Tools, Shop and Garage Equipment	2,963,796	2,515,960	3,386,661		3,386,661	2,884,010
395	Laboratory Equipment	889,450	755,052	903,300		903,300	769,232
396	Power Operated Equipment	10,036,642	8,520,083	10,165,351		10,165,351	8,656,602
397	Communication Equipment	10,137,347	8,605,573	10,396,845		10,396,845	8,853,737
398	Miscellaneous Equipment	<u>231,871</u>	<u>196,835</u>	<u>273,437</u>		<u>273,437</u>	<u>232,854</u>
	Total General Plant	54,497,111	46,262,481	57,750,535		57,750,535	49,179,154
	Total Electric Plant in Service	\$1,214,667,087	\$1,031,128,337	\$1,250,722,687	\$0	\$1,250,722,687	\$1,065,089,423

**The Empire District Electric Company
Accumulated Provision for Depreciation
of Electric Plant in Service**

**Section F
Schedule 1
01/17/2006**

<u>Functional Group</u>	A 09/30/2004 Total Company	B Missouri Jurisdictional	C 09/30/2005 Total Company	D Adjustments	E Pro Forma	F Missouri Jurisdictional
Production:						
1. Steam	\$99,734,890	\$81,643,984	\$101,458,412	0	\$101,458,412	\$83,306,071
2. Hydro	\$2,208,588	1,807,972	2,244,998	0	2,244,998	1,843,336
3. Other	54,153,896	44,330,923	61,604,570	0	61,604,570	50,582,644
4. Total Production	\$156,097,374	\$127,782,879	\$165,307,980	0	165,307,980	135,732,051
5. Transmission	\$49,988,667	40,921,225	\$52,747,500	0	52,747,500	43,310,228
6. Distribution	\$173,555,683	\$154,766,511	\$186,929,660	0	186,929,660	166,918,985
7. General	\$25,965,100	22,041,718	\$29,364,490	0	29,364,490	25,006,189
8. Amortization of Electric Plant	<u>4,340,626</u>	<u>3,684,748</u>	<u>5,118,580</u>	0	<u>5,118,580</u>	<u>4,358,876</u>
9. Total	\$409,947,451	\$349,197,081	\$439,468,210	\$0	\$439,468,210	\$375,326,329

The Empire District Electric Company
Working Capital

Section G
Schedule 1
Page 1 of 4
01/17/2006

	<u>A</u> Total <u>Company</u>	<u>B</u> Missouri <u>Jurisdictional</u>
Materials and Supplies (13-Month Average)		
Production:		
1. Fuel	\$9,134,544	\$7,510,324
2. Adjustments	348,007	286,128
3. Fuel Adjusted	9,482,551	7,796,452
4. Other Production Materials	9,015,671	7,402,642
5. Adjustments	0	0
6. Other Production Materials Adjusted	9,015,671	7,402,642
7. Total Production	18,150,215	14,912,966
8. Total Production Adjustments	348,007	286,128
9. Total Production Adjusted	18,498,222	15,199,094
10. Transmission and Distribution	10,514,594	9,390,536
11. Adjustments (Remove water inventory)	(28,067)	(25,067)
12. Total Transmission and Distribution Adjusted	10,486,527	9,365,469
13. Clearing Account Materials	64,467	55,354
14. Total Materials and Supplies	28,729,276	24,358,856
15. Total Adjustments	319,940	261,061
16. Total Materials and Supplies Adjusted	\$29,049,216	\$24,619,917
Prepayments (13-Month Average)		
Prepaid Insurance:		
17. Boiler and Machinery Breakdown	\$701,506	\$597,388
18. Comprehensive Bond	10,778	9,179
19. P.B.G.C.	10,980	9,351
20. Auto Bodily Injury and Property Damage	84,142	71,654
21. Fixed and Nonfixed Property	32,338	27,539
22. Directors and Officers Liability	202,125	172,125
23. Excess Liability	343,678	292,669
24. Excess Workers Compensation	74,835	63,728
25. Total Prepaid Insurance	1,460,384	1,243,633
26. Other Prepayments	368,012	313,391
27. Prepaid Interest	3,741	3,185
28. Prepaid Fuel	170,446	145,148
29. Total Prepayments	2,002,583	1,705,358
30. Adjustments		
31. Total Prepayments Adjusted	\$2,002,583	\$1,705,358

The Empire District Electric Company
Materials and Supplies Without Adjustments

Section G
Schedule 1
Page 2 of 4

	A	B	C	D	E	F
<u>Date</u>	<u>Fuel</u>	<u>Other Materials</u>	<u>Total</u>	<u>Transmission and Distribution</u>	<u>Clearing Account Materials</u>	<u>Total</u>
September, 2004	8,682,807	8,940,324	17,623,131	9,925,650	22,462	27,571,244
October, 2004	9,282,790	8,973,838	18,256,628	10,380,346	7,424	28,644,398
November, 2004	9,959,397	9,025,035	18,984,432	10,641,100	(19,919)	29,605,613
December, 2004	9,868,404	9,031,931	18,900,335	10,428,888	60,398	29,389,621
January, 2005	9,319,258	9,053,224	18,372,482	10,401,415	159,181	28,933,078
February, 2005	9,471,684	9,053,356	18,525,041	10,496,561	141,860	29,163,462
March, 2005	10,052,911	9,021,278	19,074,189	10,806,797	132,018	30,013,004
April, 2005	9,942,045	9,001,188	18,943,232	10,564,219	120,731	29,628,182
May, 2005	10,517,352	9,041,877	19,559,229	10,611,963	81,428	30,252,620
June, 2005	10,415,720	9,028,954	19,444,675	10,588,957	64,091	30,097,723
July, 2005	8,720,046	9,034,583	17,754,629	10,356,530	39,380	28,150,539
August, 2005	6,435,850	9,044,744	15,480,593	10,409,763	18,096	25,908,452
September, 2005	6,080,805	8,953,398	15,034,203	11,077,534	10,919	26,122,656
13-Month Total	\$118,749,070	\$117,203,729	\$235,952,799	\$136,689,721	\$838,070	\$373,480,591
Average	\$9,134,544	\$9,015,671	\$18,150,215	\$10,514,594	\$64,467	\$28,729,276

The Empire District Electric Company
Prepayments with Adjustments

Section G
Schedule 1
Page 3 of 4

<u>Date</u>	<u>A</u> Boiler and Machinery Breakdown	<u>B</u> Comprehensive Bond	<u>C</u> Various	<u>D</u> Auto Bodily Injury and Property Damage	<u>E</u> Fiduciary Coverage Liability	<u>F</u> Directors and Officers Liability	<u>G</u> Excess Liability	<u>H</u> Excess Workers Compensation	<u>I</u> Total Prepayments
September, 2004	1,463,106	19,500	9,397	39,256	37,969	254,667	415,890	92,665	2,332,449
October, 2004	1,334,184	16,500	7,752	25,977	32,906	215,487	359,673	78,964	2,071,445
November, 2004	1,158,672	13,500	6,107	26,869	27,844	176,308	303,456	65,264	1,778,019
December, 2004	1,021,971	10,500	4,462	13,591	22,781	137,128	247,238	51,563	1,509,234
January, 2005	871,384	7,500	11,979	180,758	17,719	97,949	191,021	37,863	1,416,172
February, 2005	735,678	4,500	11,660	161,696	12,656	58,769	134,804	24,162	1,143,925
March, 2005	578,672	1,500	9,966	142,634	7,594	19,590	78,586	10,462	849,003
April, 2005	421,665	(1,500)	10,459	123,572	2,531	(19,590)	22,369	(3,239)	556,268
May, 2005	264,659	16,651	8,703	104,510	63,164	412,455	669,357	156,106	1,695,605
June, 2005	142,524	15,138	7,755	84,868	57,422	374,959	601,143	135,843	1,419,652
July, 2005	39,521	13,624	20,347	80,025	51,680	337,463	541,662	121,924	1,206,246
August, 2005	(110,188)	12,110	18,168	63,374	45,938	299,968	481,466	107,736	918,570
September, 2005	1,197,737	10,596	15,989	46,722	40,195	262,472	421,151	93,547	2,088,410
13-Month Total	\$9,119,584	\$140,119	\$142,743	\$1,093,852	\$420,399	\$2,627,625	\$4,467,817	\$972,859	\$18,984,998
Average	\$701,506	\$10,778	\$10,980	\$84,142	\$32,338	\$202,125	\$343,678	\$74,835	\$1,460,384

The Empire District Electric Company
Prepaid Interest

Section G
Schedule 1
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<u>Date</u>	<u>A</u> <u>Other</u> <u>Prepayments</u>	<u>B</u> <u>Prepaid</u> <u>Interest</u>	<u>C</u> <u>Prepaid</u> <u>Fuel</u>
September, 2004	321,512	0	145,900
October, 2004	274,991	0	49,844
November, 2004	228,471	0	51,491
December, 2004	223,617	0	73,528
January, 2005	300,639	0	540,936
February, 2005	245,101	0	49,844
March, 2005	189,564	0	134,343
April, 2005	150,068	8,646	163,705
May, 2005	178,405	9,556	49,844
June, 2005	517,465	21,478	158,250
July, 2005	973,505	8,947	267,238
August, 2005	603,850	(0)	288,246
September, 2005	576,972	0	242,622
13-Month Total	\$4,784,158	\$48,627	\$2,215,792
Average	\$368,012	\$3,741	\$170,446

The Empire District Electric Company
Cash Working Capital

Section G
Schedule 2
01/17/2006

<u>Description</u>	<u>A</u> Revenue <u>Lag</u>	<u>B</u> Expense <u>Lag</u>	<u>C</u> Cash Working Capital <u>Lag</u>	<u>D</u> Cash Working Capital <u>Factor</u>	<u>E</u> Normalized Test Year <u>Expense</u>	<u>F</u> Cash Working Capital <u>Requirement</u>
Fuel - Coal	38.1500	18.9386	19.2114	0.052634	26,410,155	1,390,071
Fuel - Gas	38.1500	36.3005	1.8495	0.005067	57,336,309	290,530
Fuel - Oil	38.1500	28.3766	9.7734	0.026776	358,310	9,594
Purchased power	38.1500	34.9314	3.2186	0.008818	49,820,167	439,318
Health care expense	38.1500	11.5591	26.5909	0.072852	5,080,512	370,124
Payroll expense	38.1500	12.0320	26.1180	0.071556	25,267,649	1,808,056
FICA Withheld	38.1500	14.3822	23.7678	0.065117	1,867,248	121,590
Federal Income Tax Withheld	38.1500	13.1202	25.0298	0.068575	3,957,137	271,360
State Income Tax Withheld	38.1500	7.0822	31.0678	0.085117	1,183,747	100,757
Employees 401K withheld	38.1500	11.9601	26.1899	0.071753	1,504,061	107,921
Employers 401K matchings	38.1500	41.5921	-3.4421	-0.009430	575,532	(5,428)
Cash vouchers	38.1500	33.0649	5.0851	0.013932	32,835,596	457,458
Total O&M expenses (less depreciation)					206,196,423	5,361,352
Property taxes	38.1500	182.5000	-144.3500	-0.395479	9,191,722	(3,635,137)
Federal Unemployment	38.1500	72.6228	-34.4728	-0.094446	22,966	(2,169)
State Unemployment	38.1500	72.6228	-34.4728	-0.094446	16,042	(1,515)
Employer FICA	38.1500	14.3822	23.7678	0.065117	1,867,248	121,590
Gross Receipts Taxes	38.1500	20.5300	17.6200	0.048274	5,723,124	276,278
Sales & Use taxes	38.1500	19.1500	19.0000	0.052055	8,053,463	419,221
Total customer supplied funds						(2,821,732)
Net cash working capital						2,539,620

The Empire District Electric Company
Income Tax Gross-up Factor

Section G
Schedule 3
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Formulas:

$$\text{FIT} = (\text{Taxable Income} - \text{Missouri Tax}).35$$

$$\text{SIT} = (\text{Taxable Income} - (.5 * \text{FIT})).0625$$

Federal Income Tax:

$$\text{FIT} = (\text{Taxable Income} - ((\text{Taxable Income} - (.5 * \text{FIT})).0625)).35$$

$$\text{FIT} = (\text{TI} - .0625\text{TI} + .0625(.5 * \text{FIT})).35$$

$$\text{FIT} =$$

0.331754

State Income Tax:

$$\text{SIT} = (\text{Taxable Income} - (.5 * \text{FIT})).0625$$

$$\text{SIT} =$$

0.052133

Gross-up Factor:

$$\text{After Tax Income} = \text{Taxable Income} - \text{FIT} - \text{SIT}$$

$$\text{ATI} =$$

1.62308

Effective Income Tax:

$$\text{Effective Income Tax} = \text{FIT} + \text{SIT}$$

$$\text{EIT} =$$

0.38389

The Empire District Electric Company
Income Tax Lag Calculation

Section G
Schedule 3
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	A Due Date	B Year Midpoint	C Lag Days	D % Payment	E C*D Days	F Weighted Days
FEDERAL:						
First payment	04/15	07/02	77.5	15.0%	11.63	
Second payment	06/15	07/02	16.5	15.0%	2.48	
Third payment	09/15	07/02	-75.5	10.0%	-7.55	
Fourth payment	12/15	07/02	-166.5	60.0%	-99.90	
Final installment	03/15	07/02	-256.5	0.0%	-0.00	
Income tax days lag					-93.35	-80.67
STATE:						
First payment	04/15	07/02	77.5	22.5%	17.44	
Second payment	06/15	07/02	16.5	22.5%	3.71	
Third payment	09/15	07/02	-75.5	22.5%	-16.99	
Fourth payment	12/15	07/02	-166.5	22.5%	-37.46	
Final installment	04/15	07/02	-287.5	10.0%	-28.75	
Income tax days lag					-62.05	-8.43
Weighted tax days lag						-89.10
Revenue days lag						38.15
Net lag						50.95
Percent lag						13.9587%

The Empire District Electric Company
Interest Expense Lag Calculation

Section G
Schedule 3
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1. Number of days in year	365
2. Interest is payable semi-annually, divide by 2	2
3. Days covered by payment (1 / 2)	182.5
4. Divide by 2 to find average days lag	2
5. Average days payment lag (3 / 4)	91.25
6. Revenue days lag	38.15
7. Payment lag minus revenue lag (5 - 6)	53.1
8. Percent lag (7 / 1)	14.5479%

The Empire District Electric Company
Calculation of Interest Offset and Income Tax Offset

Section G
Schedule 4
Page 4 of 4
01/17/2006

	<u>Missouri</u> <u>Jurisdictional</u>
Interest Offset:	
Weighted cost - preferred stock	0.5400%
Weighted cost - bonds	2.9900%
Weighted cost - short-term debt	0.0000%
 Total weighted cost	 3.5300%
Rate base (section D, line 14)	\$625,454,772
 Total weighted cost x rate base	 \$22,078,553
Interest expense lag	14.5479%
 Interest Offset	 \$3,211,966
 Income Tax Offset:	
Federal income tax - current	\$7,463,936
State income tax - current	1,172,904
 Total current income tax	 \$8,636,841
Income tax lag	13.9587%
 Income Tax Offset	 \$1,205,594

The Empire District Electric Company
Capital Structure @
09/30/2005

Section H
Schedule 1
01/17/2006

	A	B	C	D
	<u>Amount</u> <u>Outstanding</u>	<u>% of</u> <u>Total</u>	<u>Cost</u> <u>Rate</u>	<u>Weighted</u> <u>Return on</u> <u>Tariffs Filed</u>
1. Long-term Debt	\$336,451,466	42.45%	7.04%	2.99%
2. Trust Preferred Stock	48,402,818	6.11%	8.91%	0.54%
3. Common Equity	407,802,444	51.45%	11.70%	6.02%
4. Short-term Debt	0	-0.00%	3.55%	0.00%
5. Total	\$792,656,728	100.01%		9.55%

Adjusted Capital Structure:

	<u>Amount</u> <u>Outstanding</u>	<u>% of</u> <u>Total</u>	<u>Cost</u> <u>Rate</u>	<u>Weighted</u> <u>Return on</u> <u>Tariffs Filed</u>
1. Long-term Debt	\$336,451,466	42.45%	7.04%	2.99%
2. Trust Preferred Stock	48,402,818	6.11%	8.91%	0.54%
3. Common Equity	407,802,444	51.45%	11.70%	6.02%
4. Short-term Debt	0	0.00%	3.55%	0.00%
5. Total	\$792,656,728	100.01%		9.55%

The Empire District Electric Company
Preferred Capital Stock

Section H
Schedule 2
01/17/2006

Series	A	B	C Net Discount, Premium and Issuance Expense	D Amount Outstanding at 09/30/2005
1. Trust Preferred (Issued March 1, 2001)	\$50,000,000	8.5	(\$1,597,182)	\$50,000,000
2. Total	\$50,000,000		(\$1,597,182)	\$50,000,000

The Empire District Electric Company
Long-Term Debt

Section H
Schedule 3
01/17/2006

<u>Series</u>	A 09/30/2005 Unamortized Expense, Discount and <u>Premium</u>	B Principal Amount <u>Outstanding</u>	C 09/30/2005 Projected Unamortized Expense, Discount and <u>Premium</u>	D Principal Amount <u>Outstanding</u>
Bonds and Unsecured Notes:				
1. 7.2% Series, Due 2016	(265,123)	25,000,000	(265,123)	25,000,000
2. 5.2% Pollution Control Series, Due 2013	(221,193)	5,200,000	(221,193)	5,200,000
3. 5.3% Pollution Control Series, Due 2013	(310,736)	8,000,000	(310,736)	8,000,000
4. 7.05% Series, Due 2022	(1,454,761)	49,937,000	(1,454,761)	49,937,000
5. 6.7% Series, Due 2023	(2,767,454)	62,000,000	(2,767,454)	62,000,000
6. 5.8% Series, Due 7/1/2035	(5,904,962)	40,000,000	(5,904,962)	40,000,000
7. 6-1/2% Series, Due 2010	(330,939)	50,000,000	(330,939)	50,000,000
8. 4.5% Series, Due 2013	(10,328,599)	98,000,000	(10,328,599)	98,000,000
9. 8-1/8% Series, Due 2009	(101,768)	20,000,000	(101,768)	20,000,000
10. Total	(\$21,685,534)	\$358,137,000	(\$21,685,534)	\$358,137,000

The Empire District Electric Company
Capital Costs

Section H
Schedule 4
01/17/2006

	A	B	C	D
	09/30/2005 Amount <u>Outstanding</u>	Annual <u>Cost</u>	09/30/2005 Projected Amount <u>Outstanding</u>	Annual <u>Cost</u>
Bonds and Unsecured Notes Series:				
1. 7.2% Series, Due 2016	25,000,000	1,800,000	25,000,000	1,800,000
2. 5.2% Pollution Control Series, Due 2013	5,200,000	270,400	5,200,000	270,400
3. 5.3% Pollution Control Series, Due 2013	8,000,000	424,000	8,000,000	424,000
4. 7.05% Series, Due 2022	49,937,000	3,520,559	49,937,000	3,520,559
5. 6.7% Series, Due 2033	62,000,000	4,154,000	62,000,000	4,154,000
6. 5.8% Series, Due 7/1/2035	40,000,000	2,320,000	40,000,000	2,320,000
7. 8-1/8% Series, Due 2009	20,000,000	1,625,000	20,000,000	1,625,000
8. 6-1/2% Series, Due 2010	50,000,000	3,250,000	50,000,000	3,250,000
9. 4.5% Series, Due 2013	98,000,000	4,410,000	98,000,000	4,410,000
10. Premium, Discount and Expense	(21,685,534)	1,917,553	(21,685,534)	1,917,553
11. Total	\$336,451,466	\$23,691,511	\$336,451,466	\$23,691,511
12. Annual Cost Rate		7.04%		7.04%
Trust Preferred Series:				
13. Trust Preferred	\$50,000,000	\$4,250,000	\$50,000,000	\$4,250,000
14. Premium and Expense	(\$1,597,182)	62,840	(\$1,597,182)	62,840
15. Total	\$48,402,818	\$4,312,840	\$48,402,818	\$4,312,840
16. Annual Dividend Requirement Rate		8.91%		8.91%

The Empire District Electric Company
Test-Year Utility Operating Income
Statements and Adjustments

Section J
Schedule 1
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01/17/2006

		A	B	C	D	E	F
		Twelve Months Ended September 30, 2005					
Number	Account Name	Actual	Total Company Adjustments	Pro Forma	Actual	Missouri Jurisdictional Adjustments	Pro Forma
<i>Electric Utility Operating Revenues:</i>							
440	Residential	\$142,962,690	\$7,454,572	\$150,417,262	\$127,483,555	\$7,454,572	\$134,938,127
442.1	Commercial	101,893,580	\$2,079,036	103,972,616	93,596,630	\$2,079,036	95,675,666
442.2-6	Industrial	57,004,923	\$8,833,184	65,838,107	47,130,367	\$8,833,184	55,963,551
444	Public Street & Highway Lighting	2,341,488	0	2,341,488	2,120,947	0	2,120,947
445	Other Sales to Public Authorities	5,710,951	0	5,710,951	5,041,934	0	5,041,934
448	Interdepartmental	95,345	0	95,345	95,345	0	95,345
447.2,4	Sales for Resale - On-System	15,393,739	0	15,393,739	0	0	0
447.1,3	Sales for Resale - Off-System	<u>13,201,035</u>	<u>(1,322,166)</u>	<u>11,878,869</u>	<u>10,839,184</u>	<u>(1,085,612)</u>	<u>9,753,572</u>
	Total Sales of Electricity	338,603,750	17,044,626	355,648,376	286,307,962	17,281,180	303,589,142
450-456	Other Electric Operating Revenues	3,247,123	(11,984)	3,235,139	2,890,717	(9,840)	2,880,877
	Less: Provision for Rate Refund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Total Sales of Electricity	341,850,873	17,032,642	358,883,515	289,198,679	17,271,340	306,470,019
<i>Electric Utility Operating Expenses:</i>							
401-2	Production	167,294,205	24,953,037	192,247,242	137,505,324	20,516,120	158,021,444
401-2	Transmission	3,717,346	(204,253)	3,513,093	3,052,261	(167,710)	2,884,551
401-2	Distribution	12,643,835	187,532	12,831,366	11,292,151	167,484	11,459,634
401-2	Customer Accounts	7,527,329	129,977	7,657,306	6,595,379	114,634	6,710,013
401-2	Customer Assistance	1,074,076	20,899	1,094,975	941,096	18,312	959,408
401-2	Sales	333,602	6,491	340,093	296,439	5,768	302,207
401-2	Administrative & General	29,048,147	2,026,800	31,074,947	24,032,172	1,826,994	25,859,167
403	Depreciation	32,187,116	3,466,844	35,653,960	27,588,383	3,065,531	30,653,914
408.1	Taxes Other Than Income Taxes	19,141,475	246,547	19,388,022	16,611,427	209,674	16,821,101
409.1	Income Taxes - Federal	8,558,228	(2,103,030)	6,455,198	7,614,029	(150,093)	7,463,936
409.1	Income Taxes - State	900,549	113,839	1,014,388	801,195	371,709	1,172,904
410.1	Provision for Deferred Income Taxes	12,700,541	(9,019,733)	3,680,808	11,343,257	(8,223,937)	3,119,319
411.1	Provision for Deferred Income Taxes - Cr.	(8,273,878)	7,861,331	(412,547)	(7,389,663)	7,022,631	(367,032)
411.4	Investment Tax Credit Adjustments - Net	(552,959)	13,152	(539,807)	(493,865)	13,613	(480,252)
431.1	Interest on Customer Deposits	<u>0</u>	<u>342,579</u>	<u>342,579</u>	<u>0</u>	<u>342,579</u>	<u>342,579</u>
	Total Electric Utility Operating Expenses	286,299,611	28,042,012	314,341,623	239,789,583	25,133,310	264,922,893
	<i>Net Electric Utility Operating Income</i>	55,551,262	(11,009,370)	44,541,891	49,409,096	(7,861,970)	41,547,126

The Empire District Electric Company
Test-Year Utility Operating Income
Statements and Adjustments

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Number	Account Name	A	B	C	D	E	F
		Actual	Total Company Adjustments	Twelve Months Ended September 30, 2005 Pro Forma	Actual	Missouri Jurisdictional Adjustments	Pro Forma
	Water Utility Operating Revenues:	1,421,640		1,421,640			
	Water Utility Operating Expenses:						
414.1	Operation	502,285		502,285			
414.2	Maintenance	464,385		464,385			
403	Depreciation	227,557		227,557			
408.1	Taxes Other than Income Taxes	89,592	(0)	89,591			
409.1	Income Taxes - Federal	(135,827)		(135,827)			
409.1	Income Taxes - State	(19,177)		(19,177)			
410.1	Provision for Deferred Income Taxes	125,810		125,810			
411.4	Investment Tax Credit Adjustments - Net	<u>(2,208)</u>		<u>(2,208)</u>			
	Total Water Operating Expenses	1,252,417	(0)	1,252,417			
	Net Water Utility Operating Income	169,223	0	169,223			
	Other Income:						
417	Nonutility revenue	24,080,219		24,080,219			
417	Nonutility costs and expenses	<u>25,716,540</u>		<u>25,716,540</u>			
		(1,636,321)		(1,636,321)			
	Other Income and Deductions						
	Allowance for Equity Funds used During Construction	178,432		178,432			
	Interest Income	318,546		318,546			
	Prov Def Inc Tx Disallow Pmt	(323,214)		(323,214)			
	Minority Interest	231,306		231,306			
	Other Non-operating Income	0		0			
	Other Non-operating Expense	<u>(1,026,729)</u>		<u>(1,026,729)</u>			
		(621,659)		(621,659)			
	Interest Charges						
	Long Term Debt						
	Trust Preferred Distributions by Subsidiary						
	Holding Solely Parent Debentures	4,250,000		4,250,000			
	Other	24,252,171		24,252,171			
	Allowance for Borrowed Funds Used During Construction	(188,685)		(188,685)			
	Other	<u>690,251</u>		<u>690,251</u>			
		29,003,737		29,003,737			
	Net Other Income and Deductions	(29,625,396)		(29,625,396)			
	Net Income	24,458,767		13,449,397			
	Preferred Dividend	0		0			
	Net to common	24,458,767		13,449,397			
	End of period earnings per share	\$0.95					
	Weighted Average Number of Comm Shares - Basic	25,796,938					

The Empire District Electric Company
Explanation of Adjustments to Test-Year
Revenues & Expenses

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	Increase (Decrease)			
	Total Company		Missouri Jurisdictional	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Revenue:				
1. To adjust customer growth - Res	1,296,650		1,296,650	
2. To adjust customer growth - Comm	269,439		269,439	
3. To adjust customer growth - Ind	2,766,150		2,766,150	
4. To normalize weather - Residential	(1,615,613)		(1,615,613)	
5. To normalize weather - Commercial	(408,588)		(408,588)	
6. To normalize weather - Industrial	(580,955)		(580,955)	
7. To reflect rate increase - Res	6,126,416		6,126,416	
8. To reflect rate increase - Com	1,735,481		1,735,481	
9. To reflect rate increase - Ind	4,436,467		4,436,467	
10. To relect additional IEC revenue - Res	1,647,119		1,647,119	
11. To relect additional IEC revenue - Com	482,704		482,704	
12. To relect additional IEC revenue - Ind	1,857,197		1,857,197	
13. To add back Praxair Revenue Adjustment	100,320		100,320	
14. To remove water revenue from other revenue	(11,984)		(9,840)	
15. To normalize off-system revenue to 5 year avg	(1,322,166)		(1,085,612)	
16. To adjust billing errors	<u>254,005</u>		<u>254,005</u>	
Total Revenue Adjustment	17,032,642		17,271,340	
Production:				
17. To amortize the Asbury Transfer Relocation Cost		135,420		111,341
18. To normalize test year payroll		260,344		214,052
19. To amortize the OPSA Catch Up Payments		151,484		124,549
20. To reflect normalization of Fuel/PP		<u>24,405,789</u>		<u>20,066,179</u>
Total Production		24,953,037		20,516,120
Transmission:				
21. To normalize test year payroll		33,450		27,465
22. To remove Flint Creek billing		<u>(237,703)</u>		<u>(195,175)</u>
Total Transmission		(204,253)		(167,710)
Distribution:				
23. To normalize test year payroll		<u>187,532</u>		<u>167,484</u>
Total Distribution		187,532		167,484
Customer Accounts				
24. To normalize test year payroll		83,790		73,424
25. To adjust bill cost for customer growth		5,987		5,987
26. To adjust postage for rate increase		<u>40,200</u>		<u>35,223</u>
Total Customer Accounts		129,977		114,634
Customer Assistance				
27. To normalize test year payroll		<u>20,899</u>		<u>18,312</u>
Total Customer Assistance		20,899		18,312
Sales Expense:				
28. To normalize test year payroll		<u>6,491</u>		<u>5,768</u>
Total Sales Expense		6,491		5,768

The Empire District Electric Company
Explanation of Adjustments to Test-Year
Revenues & Expenses

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	Increase (Decrease)			
	Total Company		Missouri Jurisdictional	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Administrative & General:				
29. To reflect reduced property insurance expense		(131,884)		(109,399)
30. To normalize test year 401k costs		9,563		7,956
31. To normalize test year payroll		178,184		148,236
32. To amortize regulatory asset for Customer Demand Programs		5,300		5,300
33. To adjust PSC Assessment Cost		(5,520)		(5,520)
34. To amortize FAS 87 Regulatory Asset		194,077		194,077
35. To reduce banking fees for new LOC		(68,408)		(56,745)
36. To adjust outside services for Resource Planning		50,000		50,000
37. To reflect amortization of common stock expense		1,363,683		1,161,284
38. To reflect amortization of rate case expenses*		<u>431,805</u>		<u>431,805</u>
Total Administrative & General		2,026,800		1,826,994
Depreciation:				
39. To annualize depreciation expense		<u>3,466,844</u>		<u>3,065,531</u>
		3,466,844		3,065,531
Taxes Other Than Income Taxes:				
40. To annualize property taxes		108,966		92,794
41. To recognize FICA taxes from wage increase (decrease)		137,517		116,828
42. To recognize FUTA tax from wage increase (decrease)		315		262
43. To recognize SUTA tax from wage increase (decrease)		<u>(251)</u>		<u>(209)</u>
Total Taxes Other Than Income Taxes		246,547		209,674
Income Taxes - Federal:				
44. To adjust book taxes		<u>(2,103,030)</u>		<u>(150,093)</u>
Total Taxes - Federal		(2,103,030)		(150,093)
Income Taxes - State:				
45. To adjust book taxes		<u>113,839</u>		<u>371,709</u>
Total Taxes - State		113,839		371,709
Provision for Deferred Income Tax:				
46. To adjust book taxes		<u>(9,019,733)</u>		<u>(8,223,937)</u>
Total Provision for Deferred Income Tax		(9,019,733)		(8,223,937)
Provision for Deferred Income Tax Cr.:				
47. To adjust book taxes		<u>7,861,331</u>		<u>7,022,631</u>
Total Provision for Deferred Income Tax Cr.		7,861,331		7,022,631
Provision for Investment Tax Credit:				
48. To adjust book taxes		<u>13,152</u>		<u>13,613</u>
Total Provision for Investment Tax Cr.		13,152		13,613
Interest on Customer Deposits:				
49. To include interest on Missouri customer deposits at 6.25% *		<u>342,579</u>		<u>342,579</u>
Total Interest on Customer Deposits		342,579		342,579
TOTAL ADJUSTMENTS	17,032,642	28,042,012	17,271,340	25,133,310

The Empire District Electric Company
Depreciation Rates and Accruals

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		A	B	C
		Actual	Test Year Accrual	
Plant Account		Depreciation	Total	Missouri
<u>Number</u>	<u>Plant Account</u>	<u>Rates</u>	<u>Company</u>	<u>Jurisdictional</u>
311	Structures and Improvements	1.05		
312	Boiler Plant and Equipment	1.86		
314	Turbo Generator Units	1.59		
315	Accessory Electric Equipment	1.79		
316	Miscellaneous Power Plant Equipment	1.96		
Total Steam			\$3,326,788	2,731,579
331	Structures and Improvements	1.66		
332	Reservoirs, Dams and Waterways	1.67		
333	Water Wheels, Turbines & Generators	1.47		
334	Accessory Electric Equipment	1.44		
335	Miscellaneous Power Plant Equipment	2.44		
Total Hydro			75,358	61,875
341	Structures and Improvements	1.82		
342	Fuel Holders, Producers & Accessories	3.85		
343	Prime Movers	1.92		
344	Generators	1.82		
346	Miscellaneous Power Plant Equipment	4.00		
Total Other Production			7,384,816	6,063,568
Total Production			10,786,962	8,857,022
352	Structures and Improvements	2.09		
353	Station Equipment	2.20		
354	Towers and Fixtures	1.92		
355	Poles and Fixtures	3.33		
356	Overhead Conductors and Devices	2.15		
Total Transmission			3,435,581	2,820,907
361	Structures and Improvements	2.08		
362	Station Equipment	1.89		
364	Poles, Towers and Fixtures	4.35		
365	Overhead Conductors and Devices	3.77		
366	Underground Conduit	3.92		
367	Underground Conductors and Devices	3.59		
368	Line Transformers	2.78		
369	Services	5.00		
370	Meters	2.27		
371	Installations on Customers' Premises	5.80		
373	Street Lighting and Signal Systems	3.13		
Total Distribution			14,797,512	13,213,450

The Empire District Electric Company
Depreciation Rates and Accruals

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		A	B	C
			Test Year Accrual	
Plant		Actual		
Account		Depreciation	Total	Missouri
<u>Number</u>	<u>Plant Account</u>	<u>Rates</u>	<u>Company</u>	<u>Jurisdictional</u>
390	Structures and Improvements	2.75		
391.1	Office Furniture and Equipment	5.00		
391.2	Computer Equipment	10.00		
393	Stores Equipment	3.17		
394	Tools, Shop and Garage Equipment	4.50		
395	Laboratory Equipment	2.63		
397	Communication Equipment	4.00		
398	Miscellaneous Equipment	4.55		
	Total General		2,389,108	2,034,514
	Amortization of Electric Plant		777,954	662,489
	Amount Charged to Operations		32,187,116	27,588,383
312.5	Unit Coal Trains (Iatan)		0	0
312.7	Unit Coal Trains (Asbury)	6.67	372,142	305,561
392	Transportation Equipment	7.08	550,904	469,139
396	Power Operated Equipment	6.33	656,010	558,644
	Total Depreciation Provision less amount charged to fuel		\$33,394,031	\$28,616,166

The Empire District Electric Company
Normalized Depreciation Expense

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Plant Account <u>Number</u> <u>Plant Account</u>	A <u>Total Company</u>	B <u>Missouri Jurisdictional</u>	C 09/30/2005 <u>Approved Rate</u>	D <u>Proposed Rate</u>	E <u>Normalized</u>
Riverton Station (Steam Production)					
310 Land and Land Rights	397,725	326,566			
311 Structures and Improvements	8,574,541	7,040,435	1.05	1.05	73,925
312 Boiler Plant and Equipment	22,244,568	18,264,701	1.86	1.86	339,723
314 Turbo Generator Units	6,514,048	5,348,593	1.59	1.59	85,043
315 Accessory Electric Equipment	1,299,877	1,067,310	1.79	1.79	19,105
316 Miscellaneous Power Plant Equipment	1,078,074	885,192	1.96	1.96	17,350
Total Riverton	40,108,833	32,932,797			535,145
Asbury Station (Steam Production)					
310 Land and Land Rights	387,547	318,209			
311 Structures and Improvements	9,324,073	7,655,865	1.06	1.06	81,152
312 Boiler Plant and Equipment	72,992,798	59,933,357	1.87	1.87	1,120,754
312.7 Unit Train	5,580,296	4,581,903	6.67	6.67	305,613
314 Turbo Generator Units	21,103,409	17,327,711	1.60	1.60	277,243
315 Accessory Electric Equipment	2,373,177	1,948,583	1.79	1.79	34,880
316 Miscellaneous Power Plant Equipment	1,815,131	1,490,379	1.95	1.95	29,062
Total Asbury	113,576,433	93,256,007			1,848,704
Iatan Station (Steam Production)					
310 Land and Land Rights	122,418	100,516			0
311 Structures and Improvements	4,017,989	3,299,114	1.06	1.06	34,971
312 Boiler Plant and Equipment	31,415,826	25,795,092	1.89	1.89	487,527
312.5 Unit Train	0	0	0.00	0.00	0
314 Turbo Generator Units	8,399,773	6,896,935	1.62	1.62	111,730
315 Accessory Electric Equipment	3,693,869	3,032,983	1.81	1.81	54,897
316 Miscellaneous Power Plant Equipment	910,913	747,938	1.95	1.95	14,585
Total Iatan	48,560,788	39,872,578			703,710
Total Steam Production	202,246,053	166,061,382			3,087,559

The Empire District Electric Company
Normalized Depreciation Expense

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Plant Account	A	B	C	D	E
Number Plant Account	Total Company	Missouri Jurisdictional	09/30/2005 Approved Rate	Proposed Rate	Normalized
Ozark Beach Station (Hydroelectric)					
330 Land and Land Rights	224,480	184,317			
331 Structures and Improvements	556,389	456,843	1.66	1.66	7,584
332 Reservoirs, Dams and Waterways	1,469,845	1,206,869	1.67	1.67	20,155
333 Water Wheels, Turbines & Generators	1,631,522	1,339,620	1.47	1.47	19,692
334 Accessory Electric Equipment	812,324	666,988	1.44	1.44	9,605
335 Miscellaneous Power Plant Equipment	349,181	286,707	2.44	2.44	6,996
Total Ozark Beach	5,043,741	4,141,344			64,031
Riverton Station (Combustion Turbine)					
341 Structures and Improvements	193,357	158,763	1.82	1.82	2,889
342 Fuel Holders, Producers & Accessories	87,123	71,535	3.85	3.85	2,754
343 Prime Movers	10,161,539	8,343,496	1.92	1.92	160,195
344 Generators	926,850	761,024	1.82	1.82	13,851
345 Accessory Electric Equipment	315,835	259,328	3.57	3.57	9,258
346 Miscellaneous Power Plant Equipment	93,475	76,751	4.00	4.00	3,070
Total Riverton	11,778,180	9,670,898			192,017
Energy Center (Combustion Turbine)					
340 Land and Land Rights	163,097	133,916			
341 Structures and Improvements	1,933,279	1,587,388	1.82	1.82	28,890
342 Fuel Holders, Producers & Accessories	1,238,497	1,016,912	3.85	3.85	39,151
343 Prime Movers	26,425,192	21,697,352	1.92	1.92	416,589
344 Generators	4,516,458	3,708,400	1.82	1.82	67,493
345 Accessory Electric Equipment	339,416	278,690	3.57	3.57	9,949
346 Miscellaneous Power Plant Equipment	1,273,734	1,045,845	4.00	4.00	41,834
Total Energy Center Combustion Turbine	35,889,672	29,468,503			603,907
Energy Center Aero Units					
341 Structures and Improvements	1,116,141	916,447	1.82	1.82	16,679
342 Fuel Holders, Producers & Accessories	10,327	8,479	0.00	0.00	0
344 Generators	40,181,059	32,992,101	1.82	1.82	600,456
345 Accessory Electric Equipment	2,275,485	1,868,369	3.57	3.57	66,701
346 Miscellaneous Power Plant Equipment	12,329,672	10,123,720	3.99	3.99	403,936
Total Energy Center Aero Units	55,912,683	45,909,115			1,087,773
State Line (Combustion Turbine)					
340 Land and Land Rights	288,554	236,928			
341 Structures and Improvements	4,133,564	3,394,011	1.82	1.82	61,771
342 Fuel Holders, Producers & Accessories	3,380,804	2,775,930	3.85	3.85	106,873
343 Prime Movers	43,003,986	35,309,966	1.93	1.93	681,482
344 Generators	11,268,284	9,252,229	1.82	1.82	168,391
345 Accessory Electric Equipment	3,710,093	3,046,305	3.57	3.57	108,753
346 Miscellaneous Power Plant Equipment	154,983	127,254	3.99	3.99	5,077
Total State Line Combustion Turbine	65,940,267	54,142,623			1,132,348
State Line (Combined Cycle)					
341 Structures and Improvements	7,215,595	5,924,623	2.86	2.86	169,444
342 Fuel Holders, Producers & Accessories	7,971,760	6,545,500	2.86	2.86	187,201
343 Prime Movers	84,204,057	69,138,763	2.86	2.86	1,977,369
344 Generators	23,328,589	19,154,775	2.86	2.86	547,827
345 Accessory Electric Equipment	7,782,697	6,390,262	2.86	2.86	182,762
346 Miscellaneous Power Plant Equipment	101,781	83,571	2.85	2.85	2,382
Total State Line CC	130,604,478	107,237,495			3,066,984
Total Production Plant	507,415,074	416,631,360			9,234,619

The Empire District Electric Company
Normalized Depreciation Expense

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		A	B	C	D	E
Plant Account		Total	Missouri	09/30/2005	Proposed	
Number	Plant Account	Company	Jurisdictional	Approved Rate	Rate	Normalized
Transmission Plant						
350	Land and Land Rights	8,698,254	7,142,014			
352	Structures and Improvements	2,335,614	1,917,740	2.09	2.09	40,081
353	Station Equipment	81,958,723	67,295,151	2.20	2.20	1,480,493
354	Towers and Fixtures	777,080	638,049	1.92	1.92	12,251
355	Poles and Fixtures	28,165,538	23,126,326	3.33	3.33	770,107
356	Overhead Conductors and Devices	52,906,168	43,440,508	2.15	2.15	933,971
Total Transmission		174,841,377	143,559,788			3,236,902
Distribution Plant						
360	Land and Land Rights	1,651,978	1,475,374			
361	Structures and Improvements	9,244,200	8,255,953	2.08	2.08	171,724
362	Station Equipment	62,347,983	55,682,698	1.89	1.89	1,052,403
364	Poles, Towers and Fixtures	97,742,452	87,293,336	4.35	4.35	3,797,260
365	Overhead Conductors and Devices	111,652,405	99,716,252	3.77	3.77	3,759,303
366	Underground Conduit	18,409,899	16,441,796	3.92	3.92	644,518
367	Underground Conductors and Devices	38,371,547	34,269,453	3.59	3.59	1,230,273
368	Line Transformers	71,274,329	63,654,777	2.78	2.78	1,769,603
369	Services	50,310,593	44,932,160	5.00	5.00	2,246,608
370	Meters	15,843,759	14,149,989	2.27	2.27	321,205
371	Installations on Customers' Premises	13,218,212	11,805,124	5.80	5.80	684,697
373	Street Lighting and Signal Systems	11,368,205	10,152,892	3.13	3.13	317,786
Total Distribution		501,435,562	447,829,805			15,995,380
General Plant						
389	Land and Land Rights	691,217	588,626			
390	Structures and Improvements	9,301,493	7,920,958	2.75	2.75	217,826
391.1	Office Furniture and Equipment	3,459,481	2,946,022	5.00	5.00	147,301
391.2	Computer Equipment	11,049,742	9,409,730	10.00	10.00	940,973
392	Transportation Equipment	6,964,149	5,930,524	7.08	7.08	419,881
393	Stores Equipment	343,778	292,754	3.17	3.17	9,280
394	Tools, Shop and Garage Equipment	3,386,661	2,884,010	4.50	4.50	129,780
395	Laboratory Equipment	903,300	769,232	2.63	2.63	20,231
396	Power Operated Equipment	10,165,351	8,656,602	6.33	6.33	547,963
397	Communication Equipment	10,396,845	8,853,737	4.00	4.00	354,149
398	Miscellaneous Equipment	273,437	232,854	4.55	4.55	10,595
Total General		56,935,453	48,485,048			2,797,980
Total Depreciable Plant		\$1,240,627,466	\$1,056,506,001			\$31,264,881

**The Empire District Electric Company
Summary of Depreciation and Amortization**

**Section K
Schedule 2
Page 4 of 4
01/17/2006**

	Missouri <u>Jurisdiction</u>	Total <u>Company</u>
Total Depreciation	\$31,264,881	\$36,384,741
Total Amortization	<u>662,489</u>	<u>777,954</u>
Total depreciation & amortization	31,927,371	37,162,695
Amount Cleared: (Account 392 & 396)	967,844	1,136,528
Unit Train Depreciation - Asbury	305,613	372,206
Unit Train Depreciation - Iatan	0	0
Total Depreciation Charged to Operations less fuel and clearings	30,653,914	35,653,960
Total Book Depreciation Charged to Operations	27,588,383	32,187,116
Depreciation Adjustment	\$3,065,531	\$3,466,844

The Empire District Electric Company
Taxes Charged to Electric Operations

Section L
Schedule 1
01/17/2006

	A	B	C	D	E	F
		Twelve Months Ended September 30, 2005				
	<u>Actual</u>	<u>Total Company</u> <u>Adjustments</u>	<u>Pro Forma</u>	<u>Actual</u>	<u>Missouri Jurisdictional</u> <u>Adjustments</u>	<u>Pro Forma</u>
Taxes Other Than Income Taxes						
1. Real and Property	\$10,684,770	\$108,966	\$10,793,737	\$9,098,928	\$92,794	\$9,191,722
2. Federal Insurance Contribution Act	2,110,197	137,517	2,247,714	1,750,420	116,828	1,867,248
3. Federal Unemployment	27,371	315	27,686	22,704	262	22,966
4. State Unemployment	19,590	(251)	19,340	16,250	(209)	16,042
5. Corporation Franchise	211,013	0	211,013	191,705	0	191,705
6. City Tax or Fee	6,088,533	0	6,088,533	5,531,419	0	5,531,419
7. Total Taxes Other Than Income Taxes	19,141,475	246,547	19,388,022	16,611,427	209,674	16,821,101
8. Federal Income Taxes	12,431,932	(3,248,280)	9,183,652	11,073,758	(1,337,786)	9,735,972
9. State Income Taxes	900,549	113,839	1,014,388	801,195	371,709	1,172,904
10. Total Taxes Charged to Electric Operations	\$32,473,956	(\$2,887,893)	\$29,586,062	\$28,486,379	(\$756,402)	\$27,729,977

The Empire District Electric Company
Calculation of Provision for Income Taxes Payable
Twelve Months Ended September 30, 2005

Section L
Schedule 2
Page 1 of 2
01/17/2006

	A		Adjusted Total Company	B	C	D
	Total Company	Adjustments	Company	Missouri Jurisdictional	Adjustments	Adjusted Missouri
1. Net Income from Section J, Schedule 1	\$55,551,262	(\$11,009,370)	\$44,541,891	\$49,409,096	(\$7,861,970)	\$41,547,126
2. Adjustments						
3. Adjusted Net Income	55,551,262	(11,009,370)	44,541,891	49,409,096	(7,861,970)	41,547,126
Add:						
4. Current Income Tax	9,458,777	(1,989,191)	7,469,586	8,415,224	221,616	8,636,841
5. Deferred Income Taxes	3,873,704	(1,145,250)	2,728,454	3,459,728	(1,187,693)	2,272,035
6. Total Income Tax	13,332,481	(3,134,441)	10,198,040	11,874,952	(966,076)	10,908,876
7. Net Operating Income Before Income Taxes	68,883,743	(14,143,811)	54,739,932	61,284,048	(8,828,046)	52,456,002
Add:						
8. Book Depreciation	33,394,031	3,466,844	36,860,875	28,616,166	3,065,531	31,681,697
9. Nondeductible Expenses (Meals)	100,650		100,650	89,546	0	89,546
10. Contributions in Aid of Construction	1,364,982		1,364,982	1,214,388	0	1,214,388
11. Non-deductible Club Dues	21,540		21,540	19,164	0	19,164
12. Total Additions	34,881,203	3,466,844	38,348,047	29,939,264	3,065,531	33,004,795
Less:						
13. Interest Sync	25,959,652		25,959,652	22,078,553		22,078,553
14. Tax Depreciation	46,639,370	0	46,639,370	39,966,423	0	39,966,423
15. Excess Cost of Removal over Salvage	1,031,146	0	1,031,146	917,383	0	917,383
16. Total Deductions	73,630,168	0	73,630,168	62,962,360	0	62,962,360
17. Net Taxable Income	30,134,778	(10,676,967)	19,457,811	28,260,952	(5,762,515)	22,498,437
Provision for Federal Income Tax:						
18. Income Before Income Taxes	30,134,778	(10,676,967)	19,457,811	28,260,952	(5,762,515)	22,498,437
19. Less: Missouri Income Tax - 100%	1,571,007	(556,619)	1,014,388	1,473,320	(300,415)	1,172,904
20. Federal Taxable Income	28,563,770	(10,120,348)	18,443,423	26,787,632	(5,462,100)	21,325,533
21. Federal Income Tax @ 35%	9,997,320	(3,542,122)	6,455,198	9,375,671	(1,911,735)	7,463,936
Provision for Missouri Income Tax:						
22. Income Before Income Taxes	30,134,778	(10,676,967)	19,457,811	28,260,952	(5,762,515)	22,498,437
23. Less: One-Half of Federal Income Tax	4,998,660	(1,771,061)	3,227,599	4,687,836	(955,867)	3,731,968
24. Missouri Taxable Income	25,136,118	(8,905,906)	16,230,212	23,573,117	(4,806,648)	18,766,469
25. Provision for Missouri Income Tax @ 6.25	\$1,571,007	(\$556,619)	\$1,014,388	\$1,473,320	(\$300,415)	\$1,172,904

The Empire District Electric Company
Calculation of Provision for Income Taxes Payable
Twelve Months Ended September 30, 2005

Section L
Schedule 2
Page 2 of 2
01/17/2006

	A		Adjusted Total Company	B	C	D
	Total Company	Adjustments	Company	Missouri Jurisdictional	Adjustments	Adjusted Missouri
Deferred Taxes:						
1. Depreciation - Tax	\$46,639,370	\$0	\$46,639,370	\$39,966,423	\$0	\$39,966,423
2. Depreciation Book	33,394,031	3,466,844	36,860,875	28,616,166	3,065,531	31,681,697
3. Depreciation - S/L Life Differences	835,000	0	835,000	715,532	0	715,532
4. Total Depreciation (1-2+3)	14,080,339	(3,466,844)	10,613,495	12,065,789	(3,065,531)	9,000,258
5. Interest Capitalized for Tax (Excess over AFUDC Debt)	0	0	0	0	0	0
6. Contributions in Aid of Construction	(1,364,982)	0	(1,364,982)	(1,214,388)	0	(1,214,388)
7. Total Deferral Items	\$12,715,357	(\$3,466,844)	\$9,248,513	\$10,851,401	(\$3,065,531)	\$7,785,870
8. Deferral Rate	0.3839	0.3839	0.3839	0.3839	0.3839	0.3839
9. Amount Deferred (7x8)	\$4,881,251	(\$1,330,874)	\$3,550,377	\$4,165,704	(\$1,176,815)	\$2,988,888
10. State Tax Flowed Through Prior to 8/15/94	130,431	0	130,431	130,431	0	130,431
11. Amortization of Excess Deferred	(412,547)	0	(412,547)	(367,032)	0	(367,032)
12. Deferred Taxes (9+10+11)	4,599,135	(1,330,874)	3,268,261	3,929,102	(1,176,815)	2,752,287
13. ITC - Net	(539,807)	0	(539,807)	(480,252)	0	(480,252)
14. Net Deferred Taxes (12+13)	\$4,059,328	(\$1,330,874)	\$2,728,454	\$3,448,850	(\$1,176,815)	\$2,272,035

THE EMPIRE DISTRICT ELECTRIC COMPANY

Bases of Allocation of Property and Expenses

Section M, Schedule 2 shows in detail the bases of allocation, total Company pro forma figures and the pro forma amounts allocated to each of the four states with each separate item necessary to properly allocate rate base components and net electric operating revenue components to each of the four states.

In this process of allocation by states, there are two exceptions to the basic uniform procedure. Those portions of the rate base components and net operating revenue components which relate to off-system wholesale and to on-system wholesale are allocated by procedures using different factors than those used for all other customers.

Kilowatt-hour sales by states are used as the basis of allocating energy costs. However, large volumes of kilowatt-hours have been sold to other utility companies and systems for resale, with such transactions carried out over Company high-voltage transmission facilities installed, used and necessary for on-system operation and protection of service continuity to Empire's own customers. Such off-system kilowatt-hour sales for resale are not a proper basis for allocation of property or operating expenses related to the Company's retail business and are; therefore, deducted from the total.

Three towns in Missouri and one town in Kansas are supplied by Empire at wholesale rates. Amounts of fixed generation property and expense and common transmission property and expense allocated to these on-system wholesale transactions are assigned on the basis of coincident peak demands of these wholesale customers in relation to the total Company system demand. All other property and expense allocations to these seven wholesale customers are made on the same uniform bases used for retail customers.

The Company's generation and transmission system is required by and was constructed to meet the needs of the Company's own customers. Since amounts earned from these off-system wholesale transactions are made possible by the use of these facilities constructed for service to and supported by all of the Company's customers in all four states, the net operating revenue from these off-system wholesale transactions is allocated to on-system jurisdictions based on a twelve-month average coincident peak demand.

After deductions for property and expenses applicable to wholesale transactions, the remaining property and operating costs are then allocated on uniform bases to all retail customers in each of the four states.

Variable production expenses are allocated on the basis of kilowatt-hour sales by jurisdiction. Fixed production expenses are allocated based on a twelve-month average coincident peak demand.

Twelve-month average retail coincident peak demands by states are used as the basis for allocation of remaining property and expenses related to generation and transmission facilities.

All distribution property and related expenses are allocated to states on the basis of actual physical location, except that those portions applicable to on-system wholesale are assigned separately.

Customer accounts expenses are allocated to states on the basis of the number of customers served.

Customer assistance expenses are allocated on the basis of a composite of revenues and number of customers served.

Sales expenses are allocated on the basis of on-system revenues by states.

General property is allocated on the basis of the ratios by states of the sum of all other classes of property as allocated.

Administrative and general expenses are allocated on the basis of the ratio by states of the sum of all other operation and maintenance expenses as allocated except Electric Power Research Institute research and development costs, franchise requirements and regulatory commission expenses, which are assigned directly to jurisdiction of origin.

Depreciation expense is allocated by functional groups of property on the basis of depreciable electric plant in service by functional classes as allocated by states.

Real and personal property taxes are allocated on the basis of electric plant in service as allocated, payroll taxes on the basis of allocated operation and maintenance expenses, and other taxes by state of origin.

Income taxes are calculated on the basis of taxable income by states.

Prepayments are allocated on the basis of electric plant in service as allocated by states.

Fuel inventory is allocated on the basis of kilowatt-hour sales.

Other materials and supplies related to generating plants are allocated on the same basis as allocated generation plant, with the remainder of materials and supplies on the basis of distribution property by states.

Deferred income tax and investment tax credit balances are allocated on the basis of total electric plant in service.

Customer deposits are directly assigned to state of origin.

**The Empire District Electric Company
Allocation of Rate Base**

**Section M
Schedule 2
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01/17/2006**

	A	B	C		D	E	F	G	H	I
	Basis of Allocation Reference	Total Company	On-System Wholesale					Retail		
			Missouri	Kansas	Total	Missouri	Kansas		Oklahoma	Arkansas
Electric Utility Plant:										
1. Production Plant	22	507,856,437	30,875,998	1,599,969	475,380,469	416,993,757	29,490,007	13,373,601	15,523,104	
Adjustments		0	0	0	0	0	0	0	0	0
Production Plant Adjusted		507,856,437	30,875,998	1,599,969	475,380,469	416,993,757	29,490,007	13,373,601	15,523,104	
%		100.0000%	6.0797%	0.3150%	93.6053%	82.1086%	5.8068%	2.6333%	3.0566%	
2. Transmission Plant	22	174,841,377	10,629,780	550,827	163,660,771	143,559,788	10,152,620	4,604,173	5,344,189	
Adjustments		0	0	0	0	0	0	0	0	0
Transmission Plant Adjusted		174,841,377	10,629,780	550,827	163,660,771	143,559,788	10,152,620	4,604,173	5,344,189	
%		100.0000%	6.0797%	0.3150%	93.6053%	82.1086%	5.8068%	2.6333%	3.0566%	
3. Distribution Plant	58	501,435,562	2,304,580	97,861	499,033,120	447,829,805	28,267,868	13,146,719	9,788,728	
Adjustments		0	0	0	0	0	0	0	0	0
Distribution Plant Adjusted		501,435,562	2,304,580	97,861	499,033,120	447,829,805	28,267,868	13,146,719	9,788,728	
%		100.0000%	0.4596%	0.0195%	99.5209%	89.3095%	5.6374%	2.6218%	1.9521%	
Production, Transmission & Distribution										
4. Plant Subtotal		1,184,133,376	43,810,359	2,248,657	1,138,074,360	1,008,383,350	67,910,495	31,124,494	30,656,021	
Adjustments		0	0	0	0	0	0	0	0	0
Production, Transmission & Distribution										
Transmission Plant Adjusted		1,184,133,376	43,810,359	2,248,657	1,138,074,360	1,008,383,350	67,910,495	31,124,494	30,656,021	
%		100.0000%	3.6998%	0.1899%	96.1103%	85.1579%	5.7350%	2.6285%	2.5889%	
5. General Plant*	4	57,750,535	2,136,644	109,668	55,504,223	49,179,154	3,312,015	1,517,951	1,495,103	
Adjustments		0	0	0	0	0	0	0	0	0
General Plant Adjusted		57,750,535	2,136,644	109,668	55,504,223	49,179,154	3,312,015	1,517,951	1,495,103	
%		100.0000%	3.6998%	0.1899%	96.1103%	85.1579%	5.7350%	2.6285%	2.5889%	
6. Intangible Plant	4,59	8,838,777	327,016	16,785	8,494,976	7,526,918	506,907	232,324	228,827	
Adjustments		0	0	0	0	0	0	0	0	0
Intangible Plant Adjusted		8,838,777	327,016	16,785	8,494,976	7,526,918	506,907	232,324	228,827	
%		100.0000%	3.6998%	0.1899%	96.1103%	85.1579%	5.7350%	2.6285%	2.5889%	
7. Total Electric Utility Plant		1,250,722,687	46,274,018	2,375,109	1,202,073,560	1,065,089,423	71,729,417	32,874,768	32,379,952	
Adjustments		0	0	0	0	0	0	0	0	0
Total Electric Utility Plant Adjusted		1,250,722,687	46,274,018	2,375,109	1,202,073,560	1,065,089,423	71,729,417	32,874,768	32,379,952	
%		100.0000%	3.6998%	0.1899%	96.1103%	85.1579%	5.7350%	2.6285%	2.5889%	

*Includes \$815,082 of property under capital lease.

**The Empire District Electric Company
Allocation of Rate Base**

**Section M
Schedule 2
Page 2 of 8
01/17/2006**

	A Basis of Allocation Reference	B Total Company	C On-System Wholesale Missouri	D Kansas	E Total	F Missouri	G Retail Kansas	H Oklahoma	I Arkansas
Electric Utility Depreciation Reserve:									
8. Production Reserve	1	165,307,980	10,050,181	520,792	154,737,007	135,732,051	9,599,039	4,353,126	5,052,792
Adjustments		0	0	0	0	0	0	0	0
Production Reserve Adjusted		165,307,980	10,050,181	520,792	154,737,007	135,732,051	9,599,039	4,353,126	5,052,792
9. Transmission Reserve	2	52,747,500	3,206,874	166,178	49,374,448	43,310,228	3,062,921	1,389,023	1,612,276
Adjustments		0	0	0	0	0	0	0	0
Transmission Reserve Adjusted		52,747,500	3,206,874	166,178	49,374,448	43,310,228	3,062,921	1,389,023	1,612,276
10. Distribution Reserve	23	186,929,660	857,505	36,098	186,036,056	166,918,985	10,550,663	4,910,872	3,655,537
Adjustments		0	0	0	0	0	0	0	0
Distribution Reserve Adjusted		186,929,660	857,505	36,098	186,036,056	166,918,985	10,550,663	4,910,872	3,655,537
11. General Reserve	5	29,364,490	1,086,422	55,763	28,222,305	25,006,189	1,684,065	771,834	760,217
Adjustments		0	0	0	0	0	0	0	0
General Reserve Adjusted		29,364,490	1,086,422	55,763	28,222,305	25,006,189	1,684,065	771,834	760,217
12. Amortization of Electric Plant	4	5,118,580	189,376	9,720	4,919,484	4,358,876	293,552	134,540	132,515
Adjustments		0	0	0	0	0	0	0	0
Amortization of Electric Plant Adjusted		5,118,580	189,376	9,720	4,919,484	4,358,876	293,552	134,540	132,515
13. Total Electric Utility Depreciation* Reserve and Amortization		439,468,210	15,390,359	788,551	423,289,300	375,326,329	25,190,240	11,559,394	11,213,337
Adjustments		0	0	0	0	0	0	0	0
Total Electric Utility Depreciation Reserve and Amortization Adjusted		439,468,210	15,390,359	788,551	423,289,300	375,326,329	25,190,240	11,559,394	11,213,337
14. Construction Work in Progress:									
Production	1	22,737,728	1,382,379	71,634	21,283,715	18,669,628	1,320,325	598,762	695,000
Adjustments									
Production Adjusted		22,737,728	1,382,379	71,634	21,283,715	18,669,628	1,320,325	598,762	695,000
Transmission	2	451,052	27,422	1,421	422,209	370,352	26,192	11,878	13,787
Adjustments		0	0	0	0	0	0	0	0
Transmission Adjusted		451,052	27,422	1,421	422,209	370,352	26,192	11,878	13,787
Distribution	58	5,979,920	0	0	5,979,920	5,812,835	4,064	51,744	111,277
Adjustments		0	0	0	0	0	0	0	0
Distribution Adjusted		5,979,920	0	0	5,979,920	5,812,835	4,064	51,744	111,277
General	5	1,180,459	43,674	2,242	1,134,543	1,005,254	67,700	31,028	30,561
Adjustments		0	0	0	0	0	0	0	0
General Adjusted		1,180,459	43,674	2,242	1,134,543	1,005,254	67,700	31,028	30,561
Strategic Planning	5	34,317	1,270	65	32,982	29,224	1,968	902	888
Adjustments		0	0	0	0	0	0	0	0
Strategic Planning Adjusted		34,317	1,270	65	32,982	29,224	1,968	902	888
Total Construction Work in Progress		30,383,476	1,454,746	75,362	28,853,369	25,887,293	1,420,249	694,314	851,513
Adjustments		0	0	0	0	0	0	0	0
Total Construction Work in Progress Adjusted		30,383,476	1,454,746	75,362	28,853,369	25,887,293	1,420,249	694,314	851,513

*Excludes Other Electric, Other Items (See) Schedule IX

**The Empire District Electric Company
Allocation of Rate Base**

**Section M
Schedule 2
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01/17/2006**

	A Basis of Allocation Reference	B Total Company	C On-System Wholesale Missouri	D Kansas	E Total	F Missouri	G Retail Kansas	H Oklahoma	I Arkansas
15. Materials and Supplies (13-Month Avg):									
Fuel	21	9,134,544	587,104	25,868	8,521,571	7,510,324	477,115	254,618	279,514
Adjustments									
Fuel Adjusted		9,134,544	587,104	25,868	8,521,571	7,510,324	477,115	254,618	279,514
Other Production Materials	1	9,015,673	548,123	28,403	8,439,146	7,402,642	523,519	237,414	275,572
Adjustments		0	0	0	0	0	0	0	0
Other Production Materials Adjusted		9,015,673	548,123	28,403	8,439,146	7,402,642	523,519	237,414	275,572
Transmission & Distribution Materials	3	10,514,594	48,325	2,052	10,464,217	9,390,536	592,748	275,673	205,260
Adjustments		319,940	1,471	62	318,407	285,737	18,036	8,388	6,246
Transmission & Distribution Materials Adjusted		10,834,534	49,796	2,114	10,782,624	9,676,273	610,784	284,061	211,506
Clearing Account Materials	7	65,002	2,405	123	62,474	55,354	3,728	1,709	1,683
Adjustments		0	0	0	0	0	0	0	0
Clearing Account Materials Adjusted		65,002	2,405	123	62,474	55,354	3,728	1,709	1,683
Total Materials and Supplies		28,729,812	1,185,957	56,447	27,487,408	24,358,856	1,597,110	769,413	762,029
Adjustments		319,940	1,471	62	318,407	285,737	18,036	8,388	6,246
Total Materials and Supplies Adjusted		29,049,752	1,187,428	56,509	27,805,815	24,644,593	1,615,146	777,801	768,275
16. Prepayments - 13-Month Average	7	2,002,583	74,091	3,803	1,924,689	1,705,358	114,849	52,637	51,845
Adjustments		0	0	0	0	0	0	0	0
Prepayments Adjusted		2,002,583	74,091	3,803	1,924,689	1,705,358	114,849	52,637	51,845
17. Cash Working Capital	58	2,539,620			2,539,620	2,539,620			
Deferred Income Taxes:									
18. Liberalized Depreciation	7,58	115,239,106	4,547,801	233,425	110,457,880	97,249,994	7,105,577	3,149,448	2,952,860
Adjustments									
Liberalized Depreciation Adjusted		115,239,106	4,547,801	233,425	110,457,880	97,249,994	7,105,577	3,149,448	2,952,860
Investment Tax Credit:									
19. Prior 1971 Additions	7	675	25	1	649	575	39	18	17
20. Customer Deposits	58	6,130,116	0	0	6,130,116	5,481,261	261,731	202,357	184,767
21. Kilowatt-Hour Sales		5,164,739,876							
Less Off-System Wholesale		329,606,000							
System Kilowatt-Hour Sales	58	4,835,133,876	310,768,400	13,692,800	4,510,672,676	3,975,395,397	252,548,340	134,775,221	147,953,718
%		100.0000%	6.4273%	0.2832%	93.2895%	82.2189%	5.2232%	2.7874%	3.0600%
22. 12-Month Average Coincident Peak Demand	58	870,250	52,908	2,742	814,600	714,550	50,533	22,917	26,600
%		100.0000%	6.0797%	0.3150%	93.6053%	82.1086%	5.8068%	2.6333%	3.0566%
Depreciable Distribution Plant:									
23. Total Distribution Plant	58	501,435,562	2,304,580	97,861	499,033,120	447,829,805	28,267,868	13,146,719	9,788,728
Less Nondepreciable Distribution Plant		1,651,978	11,916	1,347	1,638,715	1,547,665	59,139	16,791	15,120
Depreciable Distribution Plant		499,783,584	2,292,664	96,514	497,394,405	446,282,140	28,208,729	13,129,928	9,773,608
%		100.0000%	0.4587%	0.0193%	99.5220%	89.2951%	5.6442%	2.6271%	1.9556%

**The Empire District Electric Company
Allocation of Revenue and Expense**

**Section M
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	A Basis of Allocation Reference	B Total Company	C On-System Wholesale Missouri	D Kansas	E Total	F Missouri	G Retail Kansas	H Oklahoma	I Arkansas
Electric Operating Revenues:									
24. Residential	58	142,962,690	0	0	142,962,690	127,483,555	8,381,700	4,298,715	2,798,719
Adjustments		7,454,572	0	0	7,454,572	7,454,572	0	0	0
Residential Adjusted		150,417,262	0	0	150,417,262	134,938,127	8,381,700	4,298,715	2,798,719
25. Commercial	58	101,893,580	0	0	101,893,580	93,596,630	3,856,180	2,440,712	2,000,057
Adjustments		2,079,036	0	0	2,079,036	2,079,036	0	0	0
Commercial Adjusted		103,972,616	0	0	103,972,616	95,675,666	3,856,180	2,440,712	2,000,057
26. Industrial	58	57,004,923	0	0	57,004,923	47,130,367	3,891,310	2,584,234	3,399,013
Adjustments		8,833,184	0	0	8,833,184	8,833,184	0	0	0
Industrial Adjusted		65,838,107	0	0	65,838,107	55,963,551	3,891,310	2,584,234	3,399,013
27. Public Street & Hwy Lighting	58	2,341,488	0	0	2,341,488	2,120,947	76,959	86,535	57,047
Adjustments		0	0	0	0	0	0	0	0
Public Street & Hwy Lighting Adjusted		2,341,488	0	0	2,341,488	2,120,947	76,959	86,535	57,047
28. Other Public Authorities	58	5,710,951	0	0	5,710,951	5,041,934	276,634	204,317	188,066
Adjustments		0	0	0	0	0	0	0	0
Other Public Authorities Adjusted		5,710,951	0	0	5,710,951	5,041,934	276,634	204,317	188,066
29. Interdepartmental	58	95,345	0	0	95,345	95,345	0	0	0
Adjustments		0	0	0	0	0	0	0	0
Interdepartmental Adjusted		95,345	0	0	95,345	95,345	0	0	0
30. On-System Wholesale	58	15,393,739	14,714,215	679,523	0	0	0	0	0
Total On-System Revenue from									
31. Sale of Electricity	58	325,402,715	14,714,215	679,523	310,008,977	275,468,778	16,482,783	9,614,514	8,442,901
Adjustments		18,366,792	0	0	18,366,792	18,366,792	0	0	0
Total On-System Revenue from									
Sale of Electricity Adjusted		343,769,507	14,714,215	679,523	328,375,769	293,835,570	16,482,783	9,614,514	8,442,901
Less Provision for Rate Refund		0	0	0	0	0	0	0	0
Total On-System Revenue Adjusted		343,769,507	14,714,215	679,523	328,375,769	293,835,570	16,482,783	9,614,514	8,442,901
Less Provision for Rate Refund									
32. Other Electric Operating Revenues	58	3,247,123	0	0	3,247,123	2,890,717	188,643	104,702	63,061
Other Electric Operating Revenues Adjusted*		3,235,139	(729)	(38)	3,235,905	2,880,877	187,947	104,387	62,694
33. Total On-System Electric Revenues		328,649,838	14,714,215	679,523	313,256,099	278,359,495	16,671,426	9,719,216	8,505,962
%		100.0000%	4.4772%	0.2068%	95.3161%	84.6979%	5.0727%	2.9573%	2.5882%
Adjustments		18,354,808	(729)	(38)	18,355,574	18,356,952	(696)	(316)	(366)
* Adjustment to Other Elec Operating Rev #32.		(11,984)	(729)	(38)	(11,218)	(9,840)	(696)	(316)	(366)
Total On-System Revenues Adjusted		347,004,646	14,713,487	679,486	331,611,674	296,716,447	16,670,730	9,718,901	8,505,595
34. Off-System Wholesale	22	13,201,035	802,579	41,589	12,356,866	10,839,184	766,552	347,629	403,502
Adjustments		(1,322,166)	(80,383)	(4,165)	(1,237,617)	(1,085,612)	(76,775)	(34,817)	(40,413)
Off-System Wholesale Adjusted		11,878,869	722,196	37,424	11,119,249	9,753,572	689,777	312,811	363,089
35. Total Electric Operating Revenues		341,850,873	15,516,795	721,112	325,612,966	289,198,679	17,437,979	10,066,845	8,909,464
Adjustments		17,032,642	(81,112)	(4,203)	17,117,957	17,271,340	(77,471)	(35,133)	(40,780)
Total Electric Operating Revenues Adjusted		358,883,515	15,435,683	716,909	342,730,923	306,470,019	17,360,508	10,031,712	8,868,684

**The Empire District Electric Company
Allocation of Revenue and Expense**

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	A	B	C	D	E	F	G	H	I
	Basis of Allocation Reference	Total Company	On-System Wholesale Missouri	Kansas	Total	Missouri	Kansas	Oklahoma	Arkansas
Electric Operating Expenses:									
36. Production Expense:									
Off-System Wholesale	22	8,572,479	521,179	27,007	8,024,294	7,038,742	497,783	225,743	262,026
Adjustments		0	0	0	0	0	0	0	0
Off-System Wholesale Adjusted		8,572,479	521,179	27,007	8,024,294	7,038,742	497,783	225,743	262,026
a. Variable Production Expense	21	129,064,250	8,295,342	365,502	120,403,405	106,115,247	6,741,274	3,597,556	3,949,329
Adjustments	0	0	0	0	0	0	0	0	0
Variable Production Expense Adjusted		129,064,250	8,295,342	365,502	120,403,405	106,115,247	6,741,274	3,597,556	3,949,329
b. Fixed Production Expense	22	29,657,476	1,803,077	93,434	27,760,965	24,351,335	1,722,139	780,983	906,508
Adjustments		0	0	0	0	0	0	0	0
Fixed Production Expense Adjusted		29,657,476	1,803,077	93,434	27,760,965	24,351,335	1,722,139	780,983	906,508
c. Total On-System Production Expense		158,721,726	10,098,419	458,936	148,164,371	130,466,582	8,463,413	4,378,539	4,855,838
Adjustments		24,953,037	1,603,806	70,665	23,278,565	20,516,120	1,303,345	695,545	763,556
Total On-System Production Expense Adjusted		183,674,762	11,702,225	529,601	171,442,936	150,982,702	9,766,758	5,074,083	5,619,393
37. Transmission Expense	2	3,717,346	226,002	11,711	3,479,633	3,052,261	215,857	97,890	113,624
Adjustments		(204,253)	(12,418)	(643)	(191,192)	(167,710)	(11,861)	(5,379)	(6,243)
Transmission Expense Adjusted		3,513,093	213,584	11,068	3,288,441	2,884,551	203,997	92,512	107,381
38. Distribution Expense	3	12,643,835	58,111	2,468	12,583,256	11,292,151	712,782	331,498	246,825
Adjustments		187,532	862	37	186,633	167,484	10,572	4,917	3,661
Distribution Expense Adjusted		12,831,366	58,973	2,504	12,769,889	11,459,634	723,354	336,415	250,486
39. Customer Accounts Expense	56	7,527,329	141	47	7,527,140	6,595,379	485,462	255,370	190,930
Adjustments		129,977	2	1	129,982	114,634	7,997	4,206	3,145
Customer Accounts Expense Adjusted		7,657,306	144	48	7,657,122	6,710,013	493,459	259,576	194,075
40. Customer Assistance Expense	56	1,074,076	20	7	1,074,049	941,096	69,271	36,439	27,244
Adjustments		20,899	0	0	20,899	18,312	1,348	709	530
Customer Assistance Expense Adjusted		1,094,975	21	7	1,094,948	959,408	70,619	37,148	27,774
41. Sales Expense	33	333,602	0	0	333,602	296,439	17,754	10,350	9,058
Adjustments		6,491	0	0	6,491	5,768	345	201	176
Sales Expense Adjusted		340,093	0	0	340,093	302,207	18,100	10,552	9,235
42. Subtotal		192,590,392	10,903,872	500,176	181,186,344	159,682,648	10,462,322	5,335,829	5,705,545
Less Off-System Wholesale		8,572,479	521,179	27,007	8,024,294	7,038,742	497,783	225,743	262,026
System Subtotal		184,017,913	10,382,694	473,169	173,162,051	152,643,906	9,964,539	5,110,086	5,443,519
%		100.0000	5.6422	0.2571	94.1007	82.9506	5.4150	2.7770	2.9581
Adjustments		25,093,682	1,592,252	70,059	23,431,379	20,654,608	1,311,746	700,199	764,825
System Subtotal Adjusted		209,111,595	11,974,946	543,228	196,593,430	173,298,515	11,276,285	5,810,286	6,208,344

**The Empire District Electric Company
Allocation of Revenue and Expense**

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	A Basis of Allocation Reference	B Total Company	C On-System Wholesale Missouri	D Kansas	E Total	F Missouri	G Retail Kansas	H Oklahoma	I Arkansas
43. Administrative and General Expenses:									
a. Research and Development	58	0	0	0	0	0	0	0	0
Adjustments									
Research and Development Adjusted		0	0	0	0	0	0	0	0
b. Franchise Requirements	58	0	0	0	0	0	0	0	0
Adjustments									
Franchise Requirements Adjusted		0	0	0	0	0	0	0	0
c. Regulatory Commission	58	808,241	66,795	3,515	737,931	607,010	22,237	66,565	42,119
Adjustments		431,805			431,805	431,805		0	
Regulatory Commission Adjusted		1,240,046	66,795	3,515	1,169,736	1,038,815	22,237	66,565	42,119
d. Other Administrative & General	42	28,239,905	1,593,357	72,614	26,573,934	23,425,162	1,529,186	784,208	835,378
Adjustments		1,594,995	66,122	3,013	1,525,860	1,395,189	63,459	32,544	34,667
Other Administrative & General Adjusted		29,834,901	1,659,480	75,627	28,099,794	24,820,351	1,592,646	816,752	870,045
e. Total Administrative & General Expense		29,048,147	1,660,153	76,129	27,311,865	24,032,172	1,551,423	850,773	877,497
Adjustments		2,026,800	66,122	3,013	1,957,665	1,826,994	63,459	32,544	34,667
Total Administrative & General Adjusted		31,074,947	1,726,275	79,143	29,269,530	25,859,167	1,614,882	883,317	912,164
44. Total System Electric Operating Expense		213,066,060	12,042,846	549,298	200,473,916	176,676,079	11,515,962	5,960,859	6,321,016
Adjustments		27,120,483	1,658,375	73,073	25,389,043	22,481,602	1,375,206	732,743	799,492
Adjusted System Electric Operating Expense		240,186,543	13,701,221	622,371	225,862,959	199,157,681	12,891,167	6,693,602	7,120,508
Plus Off-System Wholesale		8,572,479	521,179	27,007	8,024,294	7,038,742	497,783	225,743	262,026
Total Adjusted System Electric Operating Expense		248,759,022	14,222,399	649,378	233,887,253	206,196,423	13,388,951	6,919,345	7,382,534
Depreciation and Amortization Expense:									
45. Production	1	10,786,962	655,812	33,984	10,097,167	8,857,022	626,373	284,058	329,714
Adjustments		87,669	5,330	276	82,063	71,984	5,091	2,309	2,680
Production Adjusted		10,874,631	661,142	34,260	10,179,229	8,929,006	631,464	286,366	332,393
46. Transmission	2	3,435,581	208,872	10,824	3,215,885	2,820,907	199,496	90,471	105,012
Adjustments		506,640	30,802	1,596	474,242	415,995	29,419	13,342	15,486
Transmission Adjusted		3,942,221	239,674	12,420	3,690,127	3,236,902	228,915	103,812	120,498
47. Distribution	23	14,797,512	67,881	2,858	14,726,774	13,213,450	835,200	388,749	289,375
Adjustments		3,112,534	189,232	9,806	2,913,496	2,781,930	72,611	33,797	25,158
Distribution Adjusted		17,910,046	257,113	12,663	17,640,270	15,995,380	907,811	422,546	314,533
48. General	5	2,389,108	88,392	4,537	2,296,179	2,034,514	137,016	62,797	61,852
Adjustments		(239,999)	(14,591)	(756)	(224,652)	(204,378)	(10,616)	(4,865)	(4,792)
General Adjusted		2,149,109	73,801	3,781	2,071,527	1,830,136	126,400	57,931	57,059
49. Amortization of Electric Plant	4	777,954	28,783	1,477	747,694	662,489	44,616	20,448	20,140
Adjustments									
Amortization of Electric Plant Adjusted		777,954	28,783	1,477	747,694	662,489	44,616	20,448	20,140
50. Total Depreciation Expense		32,187,116	1,049,739	53,679	31,083,698	27,588,383	1,842,701	846,522	806,093
Adjustments		3,466,844	210,773	10,922	3,245,149	3,065,531	96,505	44,582	38,531
Total Depreciation Expense Adjusted		35,653,960	1,260,512	64,601	34,328,848	30,653,914	1,939,206	891,104	844,624

**The Empire District Electric Company
Allocation of Revenue and Expense**

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	A Basis of Allocation Reference	B Total Company	C On-System Wholesale Missouri	D Kansas	E Total	F Missouri	G Retail Kansas	H Oklahoma	I Arkansas
51. Taxes Other Than Income Taxes:									
a. Property Taxes	7	10,684,770	395,313	20,290	10,269,167	9,098,928	612,776	280,845	276,618
Adjustments		108,966	4,032	207	104,728	92,794	6,249	2,864	2,821
Property Taxes Adjusted		10,793,737	399,345	20,497	10,373,895	9,191,722	619,025	283,709	279,439
b. Payroll Taxes	42	2,157,158	121,712	5,547	2,029,900	1,789,375	116,810	59,903	63,812
Adjustments		137,581	6,850	312	130,418	116,881	6,574	3,372	3,592
Payroll Taxes Adjusted		2,294,739	128,562	5,859	2,160,318	1,906,256	123,384	63,275	67,403
c. Other Taxes	58	6,299,546	0	0	6,299,546	5,723,124	318,412	142,248	115,762
Adjustments									
Other Taxes Adjusted		6,299,546	0	0	6,299,546	5,723,124	318,412	142,248	115,762
Total Taxes Other Than Income Taxes		19,141,475	517,025	25,837	18,598,612	16,611,427	1,047,998	482,997	456,191
Adjustments		246,547	10,882	519	235,146	209,674	12,824	6,236	6,413
Total Taxes Other Than Income Taxes Adjusted		19,388,022	527,907	26,356	18,833,759	16,821,101	1,060,821	489,232	462,604
52. Net Elec Operating Income Before Inc Tax		68,883,743	1,386,006	65,292	67,432,446	61,284,048	2,533,535	2,550,724	1,064,138
Less Off-System Wholesale		3,306,390	201,018	10,417	3,094,955	2,714,830	191,994	87,069	101,063
System Net Electric Operating Income		65,577,353	1,184,989	54,875	64,337,490	58,569,219	2,341,541	2,463,656	963,075
Adjustments		(13,801,232)	(1,961,141)	(88,717)	(11,751,382)	(8,485,467)	(1,562,006)	(818,694)	(885,215)
Net On-System Electric Operating Income Before Income Taxes Adjusted		51,776,121	(776,153)	(33,842)	52,586,108	50,083,751	779,536	1,644,962	77,859
53. State Income Taxes	60	900,549	18,120	854	881,576	801,195	33,122	33,347	13,912
Less Off-System Wholesale		60,511	3,679	191	56,642	49,685	3,514	1,593	1,850
System State Income Taxes		840,038	14,441	663	824,934	751,510	29,608	31,753	12,062
Adjustments		113,839	(47,030)	(2,215)	163,084	371,709	(85,967)	(86,550)	(36,108)
System State Income Taxes Adjusted		953,877	(32,589)	(1,553)	988,018	1,123,219	(56,359)	(54,797)	(24,046)
54. Federal Income Taxes	60	12,431,932	242,198	11,353	12,178,381	11,073,758	453,087	462,436	189,100
Less Off-System Wholesale		575,059	34,962	1,812	538,286	472,173	33,392	15,143	17,577
System Federal Income Taxes		11,856,873	207,236	9,542	11,640,095	10,601,585	419,695	447,293	171,523
Adjustments		(3,248,280)	(340,691)	(15,970)	(2,891,619)	(1,337,786)	(637,341)	(650,492)	(266,000)
System Federal Income Taxes Adjusted		8,608,593	(133,455)	(6,429)	8,748,476	9,263,799	(217,646)	(203,199)	(94,477)
55. Net Electric Operating Income		55,551,262	1,125,689	53,085	54,372,489	49,409,096	2,047,326	2,054,941	861,126
Less Off-System Wholesale		2,670,819	162,377	8,414	2,500,028	2,192,972	155,088	70,332	81,636
System Net Electric Operating Income		52,880,443	963,312	44,670	51,872,461	47,216,124	1,892,238	1,984,609	779,490
Adjustments (Includes Int on Cust Dep)		11,009,370	1,573,421	70,531	9,022,847	7,861,970	838,697	81,651	583,108
System Net Electric Operating Income Adjusted		41,871,072	(610,109)	(25,861)	42,849,614	39,354,154	1,053,541	1,902,958	196,382

THE EMPIRE DISTRICT ELECTRIC COMPANY
 CALCULATION OF ENERGY COST RECOVERY BASE
 CASE NO. ER-2006-XXXX

SCHEDULE WSK-2

Line No.		Total	Missouri-Retail
	<u>Energy Cost:</u>		
1	Total Fuel & Purchased Power	\$ 162,888,204	\$ 133,908,868
2	Less: Purchased Power Demand	16,193,520	13,296,499
3	Cost of Energy	<u>\$ 146,694,684</u>	<u>\$ 120,612,369</u>
4	Sales-Mwh	4,915,692	4,021,170
5	Base Cost of Energy	\$ 29.8421	\$ 29.9943
	Losses:		
6	NSI-Mwh	5,294,800	4,331,290
7	Sales	4,915,692	4,021,170
8	Losses	<u>379,108</u>	<u>310,120</u>
9	Percentage of NSI	7.16%	7.16%
10	Percentage of Sales	7.71%	7.71%

		Amount
<u>Hypothetical ECR Factor</u>		
	Mwh Sales	
Average Cost of Energy Per kWh	2,457,846	\$ 76,193,231
Base Cost of Energy Per kWh	2,457,846	<u>73,721,491</u>
Difference		\$ 2,471,740
Six Months Sales-Est.		2,457,846
System Average ECR Factor-Mwh		\$ 1.01

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION
THE EMPIRE DISTRICT ELECTRIC COMPANY

Schedule WSK-3
P.S.C. Mo. No. 5

Sec. 4 2nd Revised Sheet No. 21
Canceling P.S.C. Mo. No. 5

For ALL TERRITORY
No supplement to this tariff will be issued except
for the purpose of canceling this tariff.

Sec. 4 1st Revised Sheet No. 21
Which was issued 11-15-02

ENERGY COST RECOVERY
SCHEDULE ECR

DEFINITIONS

ACCUMULATION PERIOD:

The two six-month accumulation periods, the two six-month recovery periods and filing dates will be as follows:

<u>ACCUMULATION</u> <u>PERIOD</u>	<u>RECOVERY</u> <u>PERIOD</u>	<u>ACCUMULATION</u> <u>PERIOD</u>	<u>RECOVERY</u> <u>PERIOD</u>
September	June	March	December
October	July	April	January
November	August	May	February
December	September	June	March
January	October	July	April
February	November	August	May
Filing date: April 1 st		October 1 st	

RECOVERY PERIOD:

The billing months during which Cost Adjustment Factor (CAF) is applied to retail customer billings on a per kilowatt-hour (kWh) basis.

COSTS:

Costs eligible for Energy Cost Recovery (ECR) will be the Company's allocated Missouri Jurisdictional costs for fuel consumed in Company generating units, purchased power charges and emission allowance costs. Eligible costs do not include the purchased power demand costs associated with purchased power contracts with a term in excess of one (1) year.

APPLICATION

The price per kWh of electricity sold will be adjusted subject to application of the ECR mechanism and approval by the Public Service Commission. The price will reflect accumulation period Missouri Jurisdictional costs above or below base costs specified on Sheet No. for:

1. Fuel consumed in Company electric generating plants, plus
2. purchased power (excluding demand¹), plus
3. emission allowance costs, plus or minus
4. an adjustment for recovery period sales variation. This is based on the difference between the value of the Energy Cost Recovery as adjusted minus actual ECR revenue during the recovery period. This amount will be collected during the next recovery period.
5. Interest-Deferred electric energy cost shall be determined monthly. The resulting amount, whether negative or positive will be accumulated during the accumulation period. In addition, interest at a rate equal to the interest rate paid on short-term debt will be applied to the deferred electric energy costs on an average monthly basis and will be accumulated during the accumulation period. The accumulated interest shall be included in the determination of the CAF.

¹ Contracts, the term of which exceed one (1) year.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION
THE EMPIRE DISTRICT ELECTRIC COMPANY

Schedule WSK-3
P.S.C. Mo. No. 5

Sec. 4 Original Sheet No. 22
Canceling P.S.C. Mo. No. _____

For ALL TERRITORY
No supplement to this tariff will be issued except
for the purpose of canceling this tariff.

Sec. _____ Sheet No. _____
Which was issued _____

ENERGY COST RECOVERY
SCHEDULE ECR

The ECR will be the sum of (1), (2), (3) and (4). The Cost Adjustment Factor is the result of dividing the ECR by accumulation period billed kWh sales, rounded to the nearest \$.00000. The formula and components are displayed below.

$$ECR = F + P + E - B + C + I$$

The Cost Adjustment Factor (CAF) is as follows:

$$CAF = \frac{ECR}{S}$$

Where:

- F = Actual Missouri jurisdictional cost of fuel-FERC Accounts 501 & 547
- P = Actual Missouri jurisdictional cost of purchased energy-FERC Account 555
- E = Actual Missouri jurisdictional Emission allowance cost-FERC Account 509
- B = Base cost of fuel and purchased power energy = S x \$.02999
- C = Under/Over recovery from prior accumulation period¹
- S = Missouri jurisdictional sales (kWh)
- I = Interest

¹ C-The correction factor may also be adjusted to reflect any modifications made due to the annual prudence reviews.

APPLICABLE BASE COST

Company generated energy and purchased energy per kWh sold, \$.02999. (Or amount approved in ratecase)

MISSOURI JURISDICTIONAL COST

Fuel, Purchased Power Emission costs (501,547,555 and 509) shall be allocated to the Missouri retail jurisdiction based upon the following ratio each month of the accumulation period.

$$\frac{\text{Missouri kWh sales}}{\text{System kWh sales}} = \text{Missouri Energy Ratio}$$

DATE OF ISSUE February 1, 2006
ISSUED BY David W. Gibson, Vice President, Joplin, MO

DATE EFFECTIVE March 2, 2006

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION
THE EMPIRE DISTRICT ELECTRIC COMPANY

Schedule WSK-3
P.S.C. Mo. No. 5

Sec. 4 Revised Sheet No. 23
Canceling P.S.C. Mo. No.

For ALL TERRITORY
No supplement to this tariff will be issued except
for the purpose of canceling this tariff.

Sec. Revised Sheet No.
Which was issued

ENERGY COST RECOVERY
SCHEDULE ECR

ACCUMULATION PERIOD ENDING 00-00-0000

1. Total energy cost	\$xxx,xxx,xxx
2. Base energy cost	\$xxx,xxx,xxx
3. Energy Cost Recovery	\$xxx,xxx,xxx
4. Adjustment for Over/Under recovery for the test period ending 00-00-0000	\$xxx,xxx,xxx
5. Energy Cost Recovery as Adjusted	\$xxx,xxx,xxx
6. Estimated recovery period sales kWh	x,xxx,xxx,xxx
7. Cost adjustment factor to be applied to bills beginning 00-00-0000	\$o.xxxxx

DATE OF ISSUE February 1, 2006
ISSUED BY David W. Gibson, Vice President, Joplin, MO

DATE EFFECTIVE March 2, 2006

THE EMPIRE DISTRICT ELECTRIC COMPANY
SAMPLE MISSOURI BILL

SCHEDULE WSK-4

Account Detail

Electric	acct #	For Service at	address	Rate:	RG-Residential
Read for	meter #	From beginning date to ending date (# of days)		Curr Read #	Prev Read #, Totaling # kWh
Billing date	Late Payment Fee	amount x percentage			xxxx
Billing date	Customer Charge	1 x cust charge rate			xxxx
Billing date	Usage Charge	First block (up to 600) kWh * .xxxx (rate)			xxxx
Billing date	Usage charge	Excess over 600 kWh * .xxxx (rate)			xxxx
Billing date	Energy Cost Recovery	Total kWh * .xxxx (monthly ECR factor)			xxxx
Billing date	Franchise Fee (if appl.)	***Total Charge * fran rate			xxxx
Billing date	City Tax (if appl.)	***Total Charge * tax rate			xxxx
Billing date	Other Charges (if appl.)	***Total Charge * Applicable rate			xxxx
Current Months Charges:					\$ xxxxx
Billed Charges:					\$ xxxxx

***Total Charge = Customer Charge + Usage Charges + Energy Cost Recovery

NOTICE

On February 1, 2006 The Empire District Electric Company filed revised electric service tariff sheets with the Missouri Public Service Commission ("MPSC"), which would increase the Company's Missouri jurisdictional annual gross revenues by approximately 9.63 percent. For a residential customer using 1000 kilowatt hours of electricity a month, the proposed increase would be approximately \$11.11 each month.

Also, the Company has asked the MPSC to authorize the implementation of an energy cost recovery mechanism ("ECR") allowing the Company to recover fuel and energy costs. The test year fuel costs will be included in the base rates. Any increase or decrease in fuel costs from the test year level will be passed on to customers through a monthly bill adjustment. This adjustment will be identified on the bills as a line item titled "Energy Cost Recovery". A customer's total kWh for the month will be multiplied by the ECR factor and added to the total bill.

Local public hearings have been set before the PSC as follows:

- 1) XXX
- 2) XXX

Evidentiary hearings have been set before the PSC as follows: XXX through XXX. The evidentiary hearings will be held in XXX, Jefferson City, Missouri

If you wish to comment or secure information, you may contact the Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, telephone (573) 751-4857.

The buildings where the hearings will be held meet accessibility standards required by the Americans with Disabilities Act. If a customer needs additional accommodations to participate in these hearings, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.