Exhibit No.
Issue: Staff Corrections, Healthcare, Life Insurance, On-System Municipal Sales, Retail Revenue and Rate Design
Witness: Jayna R Long
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Empire District
Case No. ER-2006-0315

Before the Missouri Public Service Commission

Rebuttal Testimony

of

Jayna R. Long

July 2006

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OF
JAYNA R. LONG
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY
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CASE NO. ER-2006-0315

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jayna R. Long. My business address is 602 Joplin Street, Joplin, Missouri.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by The Empire District Electric Company. ("Empire" or "Company").

Q. ARE YOU THE SAME JAYNA R. LONG THAT FILED DIRECT TESTIMONY IN THIS CASE?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY ?

A. I am filing this testimony in response to corrections that have been agreed to by The Missouri Public Service Commission Staff ("Staff") but have not yet been reflected in documents filed with the Commission. In addition, I will address: 1)the proposed Staff adjustments to healthcare and life insurance; 2)the Staff adjustments made to incentive payroll; 3)the Staff level of On-System Municipal sales; 4)the Staff adjustments to retail revenue; and, 5) the rate design recommended by the Company in response to OPC and Staff recommendations.

II. EXECUTIVE SUMMARY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS CASE BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. This testimony addresses corrections that have been agreed informally to by Staff, but have not been filed with the Commission. In addition it addresses the proposed Staff adjustments to healthcare and life insurance, the Staff adjustments made to incentive payroll, the Staff level of On-System Municipal sales, the Staff adjustments to retail revenue and the rate design recommended by the Company in response to OPC and Staff's recommendations.

Q. PLEASE DISCUSS THE STAFF "CORRECTIONS."

Staff has indicated to the Company that it has made three corrections to its version of Empire's Missouri revenue requirement. These corrections include the Staff adjustment to normalize the State Line Combined Cycle maintenance contract, the correction to the allocation factor used to allocate payroll costs between capital and expense, and a correction to the jurisdictional allocation factor the Staff used on taxes other than income taxes.

Q. WHAT IS EMPIRE'S RESPONSE?

A. Empire agrees with the corrections for the first two items, but not the third.

Q. PLEASE EXPLAIN.

A. While Empire believes this is an improvement in the Staff allocation factor, it does not complete the correction process associated with this particular allocation factor and Empire does not completely accept the Staff revised jurisdictional allocation factor. Empire recommends that its method be used for allocating taxes other than income taxes.

Q. PLEASE DISCUSS THE OTHER ISSUES YOUR TESTIMONY ADDRESSES.

A. They are as follows:

- Staff made an adjustment to decrease healthcare expenses at Empire due to "declining expenses". Empire does not believe the healthcare cost to be "declining" nor does the Company agree with Staff's method to normalize the healthcare cost within the test year and therefore no adjustment was necessary.
- The Staff made an adjustment for life insurance expense as a result of a one time premium decrease. Empire does not consider this one time decrease to be normal and therefore should not be used to normalize the test year.
- Staff inadvertently duplicated its adjustment to eliminate the costs associated with the stock option portion of the MIP plan. Staff has indicated that it will reverse the duplicate entry of $248,739. Empire accepts the correction.

- The Staff did not incorporate an adjustment for the growth of the municipal customers and therefore understated the total Company NSI in its rate case filing.

  The total Company fuel and purchased power is derived from the total Company NSI. Furthermore, the total Company fuel and purchased power expense are allocated to jurisdictions. If the total Company fuel and purchased power are understated the Missouri jurisdictional fuel and purchased power will be understated as well. The Company recommends that a two percent growth rate be used for this class of customers based on a customer class regression.

- Empire disagrees with the weather normalization adjustments calculated by Staff. As a result of the difference in the weather normalization, the other Staff revenue adjustments are compounded causing a further difference between Empire and Staff in the growth and rate increase adjustment. Empire disagrees with the customer response functions used by Staff in their weather model.

- With respect to rate design, Empire continues to support the equal percentage increase to each rate class.

<u>III. STAFF CORRECTIONS</u>

Q. PLEASE DESCRIBE THE CORRECTIONS THAT STAFF HAS MADE TO ITS REVENUE REQUIREMENT POSITION, BUT HAVE NOT YET BEEN REFERENCED IN FILED DOCUMENTS.

A. Staff has indicated to the Company that it has made three corrections to its version of Empire's Missouri revenue requirement. The corrections to the Staff case have not been filed with the Commission as of the date of this rebuttal testimony. These corrections include the Staff's adjustment to normalize the State Line Combined Cycle maintenance contract, the correction to the allocation factor used to allocate payroll costs between capital and expense, and a correction to the jurisdictional allocation factor the Staff used on taxes other than income taxes.

Q. PLEASE DESCRIBE THE STAFF'S ADJUSTMENT TO THE STATE LINE COMBINED CYCLE MAINTENANCE CONTRACT.

A. Staff's adjustment S-34.4 for ($1,573,759) purports to adjust test year expense to more accurately reflect the actual maintenance costs associated with Empire's contract with Siemens Westinghouse Power Corporation ("Siemens") for maintenance of the State Line Combined Cycle turbine for the twelve months ending March 2006. In doing its analysis of the costs associated with this maintenance contract Staff incorrectly identified the amount of expense recorded by the Company in its December 31, 2005 year ending income statement. The Company has provided additional information concerning this contract to the Staff. The additional information provided to the Staff displays the correct amount of this expense as reported by the Company for the twelve months ending December 31, 2005. Staff has reviewed the additional information and indicated it will revise its filed adjustment of ($1,573,759) to a corrected amount of ($105,710). Schedule JRL-1 is a spreadsheet received via email from Staff witness Boateng on July 18, 2006 identifying this change. Empire agrees with the Staff's revised adjustment of ($105,710).

Q. PLEASE EXPLAIN THE REVISION STAFF HAS INDICATED IT WILL MAKE TO THE FACTOR USED TO ALLOCATE LABOR BETWEEN CAPITAL AND EXPENSE.

A. Staff originally derived its allocation factor between capital and operating expense by performing a five-year historical analysis of electric Operations and Maintenance ("O&M") expense. The O&M allocation factor was used in the payroll annualization adjustment and the FAS 87 adjustment to rate base. Staff's original filing contained an O&M allocation factor of 72.56%. Upon further review of the calculation, Staff has indicated it will revise the O&M allocation factor to 75.00%. This revision is shown in Schedule JRL-2, a work paper prepared by Staff witness McMellen. Empire accepts the revision to the Staff O&M allocation factor, which will result in additional revenue requirement when applied to both the payroll annualization adjustment and FAS 106 adjustment to rate base.

Q. PLEASE DESCRIBE THE CHANGES STAFF HAS INDICATED IT WILL MAKE TO THE JURISDICTIONAL ALLOCATION FACTOR FOR TAXES OTHER THAN INCOME TAXES.

A. Taxes other than income taxes includes three components: property tax, payroll tax, and franchise taxes. The original factor used by Staff in its filing to allocate the Missouri jurisdictional portion of taxes other than income taxes was the O&M payroll composite allocation factor. As shown in the work papers of Staff witness

Eaves (Schedule JRL- 3), this factor was derived by taking the Missouri O&M payroll divided by total Company O&M payroll. Thus, Staff incorrectly calculated the factor for all components based on total Company payroll. Staff has indicated it will adjust this allocation factor to 85.47%. This is an improvement in the Staff allocation factor, but it does not completely correct this particular allocation factor and Empire does not accept the Staff revised jurisdictional allocation factor.

Q. PLEASE EXPLAIN WHY EMPIRE DOES NOT ACCEPT STAFF'S REVISED JURISDICTIONAL ALLOCATION FACTOR.

A. As previously mentioned, Empire separates taxes other than income taxes into three components before allocating the Missouri portion: property taxes, payroll taxes, and franchise taxes. The property tax component is then allocated to the Missouri retail jurisdiction based upon total plant in service. Property taxes constitute approximately 55% of the other taxes. Payroll taxes are allocated to the Missouri retail jurisdiction based upon the total of production, transmission, distribution, customer accounts, customer assistance and the sales expense accounts. Payroll taxes constitute approximately 10% of taxes other than income taxes. The remaining 35% of taxes other than income taxes is related to franchise taxes. Because these tax expenses are directly related to jurisdictional retail revenue, Empire directly assigns these expenses by jurisdiction. Empire recommends the Commission accept the Company's methodology for the allocation of other taxes to the Missouri jurisdiction, rather than the Staff's proposal to use a single allocation factor. The change to a three factor method will result in an increase in the Missouri revenue requirement of $303,683.

IV. HEALTHCARE AND LIFE INSURANCE

Q. PLEASE EXPLAIN THE ADJUSTMENTS STAFF MADE TO THE HEALTHCARE EXPENSE.

A. Staff's adjustment S-85.7 for ($1,241,734) was made to reflect what Staff characterizes as the "declining" healthcare expenses at Empire. Empire does not believe its healthcare costs are declining. The Company also does not agree with Staff's methodology to normalize the healthcare cost within the test year.

Q. PLEASE EXPLAIN WHY THE COMPANY DISAGREES WITH STAFF'S NORMALIZATION METHODOLOGY.

A. Staff's healthcare adjustment was based on an annualization of first quarter 2006 healthcare expense. Using a single quarter to annualize such a significant expense is not reasonable because it ignores the volatility of the expense associated with health care claims. For instance, a single quarter may be fairly mild with respect to participant utilization of the medical plan, while another quarter within the year may be impacted by several large claims.

Participant healthcare claims were down in the first quarter of 2006. In part, this was due to the Company's change in third party administrators ("TPA"). The new TPA did not pay a normal amount of claims during the initial set up time in January.

Q. PLEASE IDENTIFY OTHER FACTORS THAT WILL DISTORT THE RESULT PRODUCED BY THE STAFF'S NORMALIZATION METHODOLOGY.

A. The Company has made several changes to its healthcare program in an effort to reduce the rate of increase in healthcare costs. These changes include lowering contracted provider rates, increasing employee cost sharing, step therapy, and introducing specialty pharmacy programs in the prescription drug program.

Q. THE STAFF SINGLED OUT THE WELLNESS PROGRAM AS A REASON FOR DECLINING HEALTHCARE COSTS AT EMPIRE (PAGE 19 OF STAFF WITNESS MCMELLEN'S TESTIMONY). DO YOU AGREE WITH THIS CONTENTION?

A. No. Empire anticipates that in the long-term, the wellness program will result in a reduction in the rate of increase in healthcare costs, not an outright decline in healthcare costs. However, the near term impact of the wellness program is expected to be an increase in healthcare cost as participants take advantage of routine annual exams aimed at detecting potential medical conditions at an earlier stage. This near term increase in costs is expected to help avoid the more expensive treatments associated with conditions that are not detected earlier.

Q. WHAT ADJUSTMENT FOR HEALTCARE DOES THE COMPANY BELIEVE SHOULD BE MADE IN THIS RATE CASE?

A. The Company believes the test year level of expense in this instance is appropriate and that no downward adjustment is necessary. The Company believes this level of expense best reflects the successes that have been achieved in the efforts to mitigate the upward trend in healthcare cost.

Q. WHAT ADJUSTMENT DID STAFF MAKE FOR LIFE INSURANCE EXPENSE?

A. The Staff's adjustment S-85.8 of ($170,955) for life insurance expense was a result of a one-time premium decrease. The one time decrease occurred in November 2005. The Company's life insurance carrier, Standard Insurance, has informed the Company that rates will be increasing effective January 1, 2007.

Q. WHAT ADJUSTMENT DOES THE COMPANY PROPOSE?

A. Due to the impending premium increase, the Company believes the test year level of $258,237 in expense is appropriate and that no adjustment is necessary.

V. INCENTIVE PAYROLL

Q. PLEASE DESCRIBE EMPIRE'S INCENTIVE COMPENSATION PLANS.

A. Empire has three incentive compensation plans: the management incentive compensation plan ("MIP") for executives of the Company; a compensation incentive award program for salaried non-executive employees; and the "Lighting Bolts" offering certain employees lump-sum payment bonuses.

Q. ARE YOU ADDRESSING STAFF'S ADJUSTMENTS TO ALL THREE OF THE PLANS?

A. No. Company witness Bauer will address the Staff's adjustments made to all three of the plans in detail. My testimony will address what appears to be a duplicate adjustment proposed by Staff. This resulted in a double elimination of the costs associated with the stock option portion of the MIP plan.

Q. PLEASE EXPLAIN THE DUPLICATION.

A. Staff made a series of adjustments related to the employee compensation plans, including incentive compensation. The first set of Staff's adjustments was used to annualize the payroll for the test year. The second Staff adjustment S-79 was used to remove the stock option portion of the MIP from the test year level of $248,739.

Q. PLEASE EXPLAIN HOW THE DUPLICATION OCCURRED.

A. The first set of Staff's adjustments annualized the Empire payroll. This first set of adjustments also included the Staff recommended allowance for all three of the Company's incentive compensation plans. Staff then compared the amount of annualized payroll, including its recommended allowance for incentive compensation, to the amount of payroll expense recorded during the year ended December 31, 2005. The difference between these amounts was the recommended Staff adjustment. In this first payroll annualization adjustment, Staff did not include any of the stock option portion of the MIP. Thus, the first Staff adjustment eliminated the stock option portion of the MIP in its entirety and there is no need to make an additional adjustment to operating expenses to eliminate this particular incentive compensation cost again. However, that is not what the Staff did when it put its case together. The Staff made an additional adjustment to disallow the stock option portion of the MIP for $248,739. This second Staff adjustment created a duplicate elimination of this incentive cost.

Q. WHAT DOES EMPIRE RECOMMEND?

A. Empire has worked with Staff on this issue and they have agreed to reverse the duplicate entry of $248,739.

VI. ON-SYSTEM MUNICIPAL SALES

Q. WHAT ARE ON-SYSTEM MUNICIPAL SALES?

A. Empire serves four on-system municipal customers. The rates charged to these customers are regulated by the Federal Energy Regulatory Commission ("FERC"). Although the revenues from these customers are not included in the Missouri revenue requirement, the sales made to these customers impact the total Company net system input ("NSI") and therefore the total fuel and purchased power expense filed in this rate case.

Q. PLEASE EXPLAIN THE IMPACT THIS ISSUE HAS ON THE MISSOURI JURISDICTIONAL REVENUE AND EXPENSE.

A. The total Company fuel and purchased power expense is derived from the total Company NSI. Furthermore, total Company fuel and purchased power expense is allocated to each of the several jurisdictions of Empire. If the total Company fuel and purchased power expense is understated, the Missouri jurisdictional fuel and purchased power will be understated as well.

Q. DID STAFF INCLUDE THESE CUSTOMERS IN ITS PRODUCTION COST SIMULATION AND IN ITS PROJECTION OF NSI COSTS?

A. Yes. Staff made an Adjustment to NSI for (4,075,784) kWh to weather-normalize the on-system municipal sales. However, Staff did not incorporate an adjustment for the growth of these customers as it does with all of the classes of on-system customers. As a result, Staff has understated the total Company NSI in its rate case filing.

Q. WHAT GROWTH RATE DOES EMPIRE RECOMMEND FOR THIS CLASS OF CUSTOMERS?

A. The Company recommends that a two percent growth rate be used for this class of customers. Empire has performed a regression analysis of these customers that shows an annual growth of approximately two percent. The regression analysis uses historical data for sales, degree days, and the year as variables to forecast future growth. A projected growth rate of two percent appears to be consistent with the rate of growth seen in prior years. Schedule JRL-4 contains the data input and results of the regression.

VII. RETAIL REVENUE

Q. WHAT STAFF RETAIL REVENUE ADJUSTMENTS DOES EMPIRE DISPUTE?

A. Empire disagrees with the weather normalization Adjustments S-1 amounting to ($3,498,117) calculated by Staff's witness Lange. As a result of the difference in the weather normalization adjustments, the other Staff revenue adjustments are erroneously compounded. For example, the Staff weather normalization erroneously compounds the impact of the customer growth and rate increase adjustments made by Staff.

Q. PLEASE EXPLAIN WHY EMPIRE DISAGREES WITH STAFF'S PROPOSED WEATHER NORMALIZATION.

A. Empire disagrees with the customer response functions developed in Helm (Electric Power Research Institute Hourly Electric Load Model) that is used by both Staff and Empire to calculate the weather normalization adjustment. Empire has retained Nexus Energy as a consultant to review the differences in the customer response functions used by the Company and the Staff. Due to time constraints associated with the rate case, Empire was unable to file rebuttal testimony from the consultant.

Q. HOW DOES STAFF'S WEATHER NORMALIZATION ADJUSTMENT IMPACT THE CUSTOMER GROWTH AND RATE INCREASE ADJUSTMENT?

A. The customer growth (S-1) and rate increase (S-1) adjustments are both computed based on weather-normalized sales. Because the starting point (i.e. the normalized sales) for Empire and Staff are different, the results of the customer growth and rate increase adjustments will be different as well. Thus, Staff's higher normalized sales levels result in a customer growth adjustment of $665,989 and rate increase adjustment of $663,635 that are higher than those that Empire would forecast at March 31, 2006.

Q. DID EMPIRE ELIMINATE THE IMPACT OF IEC REVENUE FROM ITS RATE FILING ON FEBRUARY 1, 2006?

A. No. Unlike the Staff IEC elimination rate case, Empire's original rate filing treated the IEC as a source of revenue and calculated its requested change to its rates accordingly. Although Empire does not necessarily disagree with Staff's method of IEC presentation, it does differ from the methodology and presentation used by Empire and will create an additional gap between the parties in terms of the overall revenue produced by existing rates, including the IEC.

Q. HOW DOES THE IEC NORMALIZATION METHODOLOGY DIFFER BETWEEN EMPIRE AND STAFF?

A. Empire chose to normalize the IEC revenue by applying the IEC rate to the normalized, adjusted total Missouri retail sales. This reduced the amount of revenue increase requested by the Company in this rate case. The Staff chose to eliminate the IEC from the test year. Therefore, the revenue requirement presented by Staff represents the increase in base electric rates, excluding IEC revenue.

Q. DOES THIS IMPACT THE RATE CASE?

A. Not really. This is merely a presentation difference. If Empire had chosen to present its filing in a similar manner as Staff, the additional base electric revenue required would increase approximately $8 million. Empire only addresses this to assist the Commission when it compares the revenue requirement presented by the Company and by Staff.

VIII. RATE DESIGN

Q. WHAT RATE DESIGN DID EMPIRE RECOMMEND IN ITS FILING?

A. In Company witness Keith's direct testimony, page 22 lines 12-15, it was recommended that "due to the very short life of the rates coming out of the last rate case, ER-2004-0570, Empire has proposed to spread the rate increase to all of the charges in its tariffs in the form of an across-the-board increase, with an equal percentage increase to each rate class."

Q. DOES EMPIRE MAINTAIN THIS OPINION?

A. Yes, Empire continues to support the equal percentage increase to each rate class.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

Schedule JRL-1
Prepared by: KAB
Dated: 7/17/06

The Empire District Electric Company
Case No. ER-2006-0315
SLCC Mtce - Siemens Contract
Staff's Proposed Adjustment After Prehearing*

Period	Per Book 2002	Per Book 2003	Per Book 2004	Per Book 2005	Actual Accrued 2005
January	280,982	297,643	297,643	306,832	196,582
February	280,982	153,557	297,643	306,832	221,201
March	280,982	(595,286)	(595,286)	(489,267)	246,964
April	280,982	297,643	297,643	306,832	142,816
May	(2,528,838)	297,643	297,643	306,832	195,318
June	280,982	297,643	297,643	(613,663)	298,516
July	280,982	(595,286)	(595,286)	306,832	236,467
August	280,982	297,643	297,643	306,832	244,285
September	(558,964)	297,643	363,643	375,729	265,285
October	293,314	297,643	306,832	306,832	263,018
November	292,643	297,643	306,832	306,832	267,268
December	(585,957)	313,023	306,832	93,169	280,468
	(1,120,928)	1,657,152	1,879,425	1,820,624	2,858,190
Empire's Share				100%	60%
	Total			$1,820,624.00	$1,714,914.29
	Staff's Adjustment (current)			**($105,709.71)**	**S-34.4**
	Staff's Adjustment (initial)			(1,573,758.95)	
	Add Back			**$1,468,049.24**	

Note:
* The Staff's initial adjustment to EDE's SLCC maintenance contract with Siemens was based on information provided by the Company in various data requests.
On 7/10/2006, during prehearing, EDE thru J. Long & K. Walters represented that the Company made mistake by submitting wrong information to Staff upon which its analysis/adjustment was based.
The Company promised to resubmit the required information together with additional information to Staff for the purposes of determining which amount to include in the cost of service for the SLCC maintenance.
On 7/14/2006, Staff received certain additional information from J. Long (EDE). Upon review, Staff is satisfied and recommends an adjustment of (**$105,710**) for the SLCC maintenance expense be included in cost of service, instead of the initial ($1,573,759).
This means that an amount of **$1,468,049** has to be added back. Boateng 7/17/06

Source: SLCC Mtce Contract w/Siemens - provided by J. Long (thru email 7/14/06)

Empire District Electric Company
Case No. ER-2006-0315
O&M %
Source: P/R Updated W/P, ER-2004-0570 Staff W/P, DR No. 291

Prepared by: Amanda C. McMellen

Non-Proprietary

	2001	2002	2003	2004	2005
Total Electric Operating expense excluding latan	24,721,562	26,004,544	27,096,969	29,942,605	29,349,951
Severance	(1,082,027)	(482,600)	(655,618)		
Percent of Clearing Account charged to Electric expense	11.61%	11.41%	4.93%	4.37%	10.81%
Total Clearing	3,725,259	3,953,306	4,061,066	3,835,273	4,051,222
Amount of clearing account expensed	432,357	450,959	200,409	167,720	437,738
Total Expensed	24,071,892	25,972,903	26,641,760	30,110,325	29,787,689
Total Payroll excluding latan	[redacted]				
O&M%	[redacted]				
5-year Average O&M	[redacted]				
3-year Average O&M	[redacted]				

Revised 5-yr avg

Empire District Electric Company
Case No ER-2006-0315

Prepared by: Dana Eaves
Date: 06/15/2006

Allocation Factors

Description	Calculation	Factor	Application: Rate Base	Application: Income Statement	Application: Tax Calculation
Direct Assignment Missouri Other Jurisdictions		 100.0000% 0.0000%	Distribution Plant Customer Deposits	Revenue (excluding off-system sales for resale) Regulatory Commssion Expense (A/C 928) City and Corporate Franchise Taxes (A/C 408)	Contributions In Aid of Construction
Fixed (CP)	[a]	82.2100%	Production and Transmission Plant and Related Depreciaiton Reserves Production Related Materials and Supplies	All Production and Transmission Expenses (A/Cs 500 - 571) Except For Varible Production Expenses Identified Below Test Year Unadjusted Depreciation Expense on Production and Transmission Plant [b]	
Varible (kwh sales)	[a]	82.5600%	Fuel Stock	Varible Production Expense: Fuel (A/Cs 501 and 547) Production Steam Expenses (A/C 502) Supervison and Engineering (A/C 510) Maintenance of Boilers (A/C 512) Maintenance of Electric Plant (A/C 513) Water For Power (A/C 536) Energy Portion of Purchased Power (A/C 555)	
Distribution Plant	Missouri distribution plant divided by total Company distribution plant.	89.7395%	Line Materials and Supplies	Distribution Expenses (A/Cs 580 - 598)	
Depreciable Distribution Plant	Missouri depreciable distribution plant divided by total Company depreciable distribution plant.	89.7395%		Test Year Unadjusted Depreciation Expense on Distribution Plant [b]	
Plant Composite	Missouri jurisdictional production, transmission and distribution plant divided by total Company production, transmission and distribution plant.	85.3656%	Intangible and General Plant and Related Depreciation Reserves Amortizatin Reserve Other Material and Supplies Prepayments Customer Advances Accumulated Deferred Income Tax Related To Depreciation	Test Year Unadjusted Depreciation Expense on General Plant [b] Real Estate and Personal Property Tax (A/C 408) Amortization of Deferred Income Tax Expense	Tax Depreciation
Number of Customers	Average number of Missouri customers divided by total Company average number of customers	87.6215%		Customer Accounts and Customer Service And Information Expenses (A/Cs 901 - 910)	
"On System" Retail Revenue	Missouri "on system" retail revenue divided by total Company "on system" retail revenue	85.4746%		Sales Expense (A/Cs 911 - 916)	
"On System" O&M expense composite	Missouri "on system" O&M expense divided by total Company "on system" O&M expense	82.8900%	Prepaid Pension Asset and Related Deferred Income Tax Injuries and Damages Reserve	All Administrative and General Expenses (A/Cs 920 - 935) Excluding Regulatory Commission Expense (A/C 928)	Nondeductible Expenses
O&M Payroll composite	Missouri O&M payroll divided by total Company O&M payroll	76.5276%		Payroll Taxes (FICA and Unemployment) (A/C 408)	
Test Year Income Taxes	[c]	89.4130%		Test Year Income Taxes	

[a] Calculated by Staff Engineer A. Bax from Commission's Energy Department
[b] Used to allocate test year recorded expense only. Annual depreciation expense calculated by applying depreciation rates to Missouri jurisdictional adjusted plant.
[c] Adopted Company allocation factor. Used to allocate test year recorded expense only. Annual tax expense calculated on Missouri jurisdictional taxable income.

REGRESSION:

Year	HDD	CDD	Sales	Predicted	Diff Predi/Act	Normal	Diff Norm/Act	Norm Growth %
1996	4967	1181	247,695	252,741	2.0%	260,235	5.1%	
1997	4864	1129	258,009	257,883	0.0%	266,690	3.4%	2.48%
1998	4164	1692	282,880	285,559	0.9%	273,145	-3.4%	2.42%
1999	3945	1336	281,656	281,149	-0.2%	279,600	-0.7%	2.36%
2000	4684	1448	294,826	288,436	-2.2%	286,055	-3.0%	2.31%
2001	4337	1395	302,273	294,487	-2.6%	292,510	-3.2%	2.26%
2002	4588	1507	304,914	303,657	-0.4%	298,965	-2.0%	2.21%
2003	4541	1313	301,781	303,912	0.7%	305,420	1.2%	2.16%
2004	4135	1199	305,711	308,184	0.8%	311,875	2.0%	2.11%
2005	4270	1759	328,803	332,538	1.1%	318,330	-3.2%	2.07%
2006	**4,602**	**1,366**		324,785		324,785		2.03%
2007	**4,602**	**1,366**		331,240		331,240		1.99%
2008	**4,602**	**1,366**		337,695		337,695		1.95%
2009	**4,602**	**1,366**		344,150		344,150		1.91%
2010	**4,602**	**1,366**		350,605		350,605		1.88%
2011	**4,602**	**1,366**		357,060		357,060		1.84%

Year, HDD, CDD are included as X-variables

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.98448229
R Square	0.96920538
Adjusted	0.95380806
Standard	5172.96051
Observati	10

ANOVA

	df	*SS*	*MS*	*F*	*ignificance F*
Regressio	3	5.05E+09	1684415526	62.9464017	6.3139E-05
Residual	6	1.61E+08	26759520.5		
Total	9	5.21E+09			

	Coefficients	*andard Err*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*ower 95.0*	*Upper 95.0%*
Intercept	-12650996.2	1307685	-9.67434329	6.9933E-05	-15850789.1	-9451203.29	-1.6E+07	-9451203.286
X Variable	6454.94044	650.5078	9.92292567	6.0532E-05	4863.20405	8046.67682	4863.204	8046.676817
X Variable	-3.85958508	6.009339	-0.64226448	0.54444512	-18.5639191	10.8447489	-18.5639	10.84474891
X Variable	32.8933638	9.204234	3.57372097	0.01173147	10.3713982	55.4153293	10.3714	55.41532934

AFFIDAVIT OF JAYNA R. LONG

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 27th day of July, 2006, before me appeared Jayna R. Long, to me personally known, who, being by me first duly sworn, states that she is a Regulatory Analyst of The Empire District Electric Company and acknowledges that she has read the above and foregoing document and believes that the statements therein are true and correct to the best of her information, knowledge and belief.

Jayna R. Long

Jayna R. Long

Subscribed and sworn to before me this 27th day of July, 2006.

Patricia A. Settle

Pat Settle, Notary Public

My commission expires: ____________.

Patricia A. Settle
Notary Public - Notary Seal
State of Missouri
County of Jasper
Expires February 09, 2008