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Missouri Public Service Commission

EMPIRE DISTRICT ELECTRIC COMPANY
ER-2006-0315
Data Request
of
Praxair, Inc. and Explorer Pipeline Company
to
Empire District Electric Company
August 15, 2006

Item No.	Description
278.	At the end of the Empire District Electric Company 10K annual report filed on March 15, 2005, there is attached Exhibit 31(a) - a Certification of Chief Executive Office Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002. That certification references the "internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)". Please provide all documents which constitute, discuss or otherwise concern Empire's "internal control over financial reporting" as referenced in the Chief Executive Officer Certification.

Summary of Compliance document dated 3-10-2005.

The attached or above information provided to the requesting party or parties in response to this data or information request is accurate and complete and contains no material misrepresentations or omissions, based upon present facts to the best of the knowledge, information or belief of the undersigned. The undersigned agrees to immediately inform the requesting party or parties if during the pendency of this case any matters are discovered which would materially affect the accuracy or completeness of the attached information and agrees to regard this as a continuing data request.

As used in this request the term "document" includes publications in any format, work papers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data recordings, transcriptions and printer, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to the party to whom this request is tendered and named above and includes its employees, contractors, agents or others employed by or acting in its behalf.

Signed: Carol Spugn

Date: 8-21-06

Praxair Exhibit No. 120
Case No(s). ER-2006-0315
Date 9-12-06 Rptr KF

3/10/2005

Empire District Electric
Sarbanes-Oxley Section 404
Summary of Compliance

Objective

The objective of this memo is to document and summarize the Company's approach for compliance with and conclusion of Section 404 of the Sarbanes Oxley Act.

Section 404 Compliance Approach

The Company's approach to supporting the certifications required by Section 404 of the Act included the following key activities:

A. Establishment of Core Project Team and Senior Steering Committee
B. External Auditor Communications
C. Adoption of Committee Of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework
D. Completion of entity level risk and control assessment
E. Identification of significant business units
F. Identification of significant accounts
G. Determination of significant processes
H. Identification of Third Party Service Providers – SAS 70 considerations (a review performed by the Third Party's Independent Auditor assessing the design and operating effectiveness of the organizations internal controls.)
I. Identification of Information Technology applications in scope
J. Documentation of information flows, policies, procedures and controls within significant processes
K. Assessment of controls over spreadsheets associated with financial reporting process
L. Fraud risk assessment
M. Identification of Management testing team and testing approach
N. Identification of control deficiencies and corresponding remediation plans
O. Description of remediation efforts and execution
P. Summary of deficiencies
Q. Management's evaluation of noted deficiencies
R. Management's overall assessment of control environment

A. Establishment of Core Project Team and Executive Steering Committee

Senior management (President/CEO and Vice-Presidents) assembled a Core project team that was responsible for the day to day execution and oversight of the Sarbanes Oxley Project (SOX). As the Chief Financial Officer, Greg Knapp served as Project Sponsor for the Core team. The following individuals are members of the Core team:

Carol Spriggs	Director of Internal Auditing
Darryl Coit	Controller
Laurie Delano	Assistant Controller
Dale Harrington	Assistant Director of HR

Stacy Potter	Senior Internal Auditor
Samantha Sill	Internal Auditor
Beverly Hines	Internal Auditor

Selected members of the Core team (Controller and Asst. Secretary & Treasurer, Director of Finance and Asst. Controller and Director of Internal Audit) met periodically, as scheduled with the SOX Steering committee. The responsibilities of the Steering committee included approval of the project plan and major scoping decisions, review of major project findings, resolution of major issues if necessary and approval of the internal control report. Bill Gipson, Chief Executive Officer. served as Chairman of the Committee. The Steering committee members are as follows:

Bill Gipson	President and CEO
Greg Knapp	Vice President, Finance and CFO
Brad Beecher	Vice President, Energy Supply
Dave Gibson	Vice President, Regulatory & General Services
Mike Palmer	Vice President, Commercial Operations
Ron Gatz	Vice President, Strategic Development

B. External Auditor Communications

Certain members of the Steering committee and Core team (President/CEO, Vice President Finance and CFO, Controller and Asst. Secretary & Treasurer, Director of Finance and Asst. Controller and Director of Internal Audit) communicated with PwC at regular intervals throughout the project in order to keep them informed of the status of the project and to clarify or understand PwC's expectations and requirements.

C. Adopt COSO Internal Control Framework

The SEC ruled that the criteria, on which management's evaluation of internal controls is based, must be derived from a suitable, recognized control framework that is established by a body or group that has followed due-process procedures, including the broad distribution of the framework for public comment. Suitable framework as defined in the final rule must be free from bias and permit reasonably consistent qualitative and quantitative measurements of a company's internal control. It must also be relevant to an evaluation of internal control over financial reporting and be sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of a company's internal controls are not omitted. The SEC acknowledged that the COSO Internal Control – Integrated Framework satisfies this requirement.

The Company adopted the COSO Internal Control – Integrated Framework as its criteria for evaluating internal controls.

D. Completion of entity level risk and control assessment

The COSO Internal Control – Integrated Framework requires that risks and controls be assessed at both the entity level and the activity level. The Company addressed its entity level risk and control assessment by completing a comprehensive "Management Control Environment Questionnaire" (developed by the Company's Director of Internal

Audit). The questionnaire covers the five internal control components of COSO and the organizational control environment level and provides for the identification and assessment of internal controls. (See Appendix 1) Forty-three questionnaires were provided to various levels of management and process owners with all questionnaires being returned. Based on our review of questionnaire responses, entity-level controls appear to be established and the "tone at the top" (commitment by management to demonstrate and promote an environment of high ethical standards) communicated throughout the organization. Risk and Control assessment at the activity level was performed prior to and during the documentation phase.

E. Identification of significant business units

The materiality of the various business units were evaluated to determine those units that should be included in the scope of the controls assessment. The criteria used for this evaluation is as follows:

- Relative significance of assets and contributed sales and profits at each business unit.
- Existence of significant risks.
- Risk of material misstatement associated with the location.

Clearly, the Company's Regulated operations constitute a significant business unit as they range between 90-98 percent in all metrics used for significant business units. Based on a five percent or greater annual revenue parameter as of 5-31-03, our assessment included MAPP - Mid-America Precision Products, L.L.C., the non-regulated business unit with revenues of $7.9 or 7 percent of total company consolidated revenues. No other non-regulated business units exceeded the 5% threshold of the above metrics. Additionally, none of the other subjective factors caused us to select other non-regulated units. (See appendix 2)

F. Identification of significant accounts

Significant accounts were identified at the consolidated financial statement level and disclosure level. Using twelve month ending 5/31/2003 financial statements, accounts determined to be material to the balance sheet were identified as any account with a balance of $1,000,000 or more (approximately 0.1% of Company assets) and accounts determined to be material to the income statement were identified as any account with an annual balance of $500,000 or more (approximately 1% of pre-tax income.) At December 31, 2003, we performed an evaluation of balances and changes since this date and noted no significant changes that would warrant additional accounts or processes. Significant accounts were also determined by assessing the likelihood that the account or disclosure could contain misstatements that individually, or when aggregated with others, could have a material effect on the financial statements, considering the risks of both overstatement and understatement. To ensure complete inclusion of all significant accounts, the core team mapped balance sheet and income statement accounts to the appropriate business cycle. (See Appendix 3)

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G. Determination of significant processes

Management, comprised of members of the Core team and Steering committee, determined the company's significant business cycles by performing a risk assessment (See Appendix 4) of each business cycle primarily based on the activities of the organization and the following criteria:

- Risk of material misstatement – relative significance to the consolidated financial statements.
- History of errors/processing problems/reportable issues/management letter comments.
- Complexity of processes and calculations.
- Centralized/decentralized processing or an area with recent changes.

Based upon the evaluation of significant accounts and mapping to their processes, the Company has not identified any additional business process cycles other than those presented in this section. Management as noted in the above paragraph identified the following business cycles as significant:

- Corporate Governance
- Expenditures- Purchasing &Payables
- Financial Reporting
- Fixed Assets
- General Computers
- Human Resources
- Inventory
- Joint Venture
- Non-Regulated - MAPP
- Power and Fuel
- Revenue & Receivables
- Tax
- Treasury

H. Identification of Third Party Service Providers – SAS 70 considerations

A list of all service organizations was complied. From this list certain members of management (Steering Committee, Controller and Asst. Secretary & Treasurer, Director of Finance and Asst. Controller and Director of Internal Audit) determined if the outsourced activities were significant to the company's internal control over financial reporting. Activities, processes and functions of six service organizations were determined to be significant and were asked to provide SAS 70 reports. For those organizations supplying a SAS 70 report, Internal Audit evaluated the report to determine if it adequately addressed the internal controls relevant to the company's needs.

Some of the six organizations could not supply a SAS 70 report. Others had reports that could not be used, because they exceed the required date of issuance (dated within six months of Empire's fiscal year-end). For these organizations, Internal Audit identified alternative internal user controls that pertained to the service organizations and performed tests of these controls, obtained updated letters or representation or performed testing of activities at the service provider. (See Appendix 5) Based on the results of testing and evaluation of supplied SAS 70 reports, The Company concludes that appropriate internal controls surrounding the service organizations deemed to be significant are in place, designed properly and are operating effectively.

I. Identification of IT applications in scope

Due to the impact on the achievement of financial control objectives at the process level, management comprised of members of the Core team and Steering committee, evaluated and deemed significant the following processes: computer operations, physical and logical security, program change, systems development, business continuity and other similar information technology procedures. Management (as noted above) and IT personnel then identified relevant systems and applications by mapping financial statements and business processes/cycles to the computer systems and applications from which they were generated. Six systems were found to be financial in nature PeopleSoft, Quickbooks, MAS 90, Maximo, Customer Watch and FUTRAK. All other applications were determined to be operational in nature and were excluded from our review. The PeopleSoft and Customer Watch Systems were deemed to be significant systems. The other financial systems were determined not to be significant IT applications, due to the considerable number of manual key controls surrounding data validation within these systems to detect potential errors (See appendix 6.)

When identifying controls, certain control weaknesses were discovered. Outside consultants from Grant Thornton, LLC, were contracted to assist with determining solutions and remediations for these weaknesses. They also performed testing of identified key controls within this cycle.

Based on testing results, management believes that all significant deficiencies in the general computer control environment have been adequately remediated and key controls are operating effectively. The remediation of deficiencies was completed prior to the end of the year; however, in some instances, the remediated controls were not functioning to provide adequate sample sizes as described in "O : Description of Remediation Efforts and Execution." These deficiencies have been evaluated in section Q: Managements evaluation of noted deficiencies.

J. Documentation of information flows, policies, procedures and controls within significant processes.

Management (comprised of members of the Core team and Steering committee), established teams with representatives from the company's significant business cycles/processes. The teams were responsible for the documentation of key processes within each significant cycle. A member of the Core team was assigned to each documentation team in an advisory role. See Appendix 7 for a complete listing of the documentation teams.

Each documentation team was responsible for documenting the key processes, related control objectives and the critical control activities that achieve those objectives. Processes were documented using a narrative and/or flow chart. Risks inherent in each process were identified, consideration was given to such issues as the nature and types of errors and omissions that could occur (i.e. "what can go wrong"). In addition, the teams documented in a Risk Control Matrix a detailed description of the control activities (i.e., where in the process flow they occur, who performs them, how, the frequency and the related assertions and control objectives.) The teams defined the controls related to the processes, and identified which controls were considered key (controls mitigating key risks within the cycles). The key controls focused on validating the relevant COSO assertions for each risk, including completeness, accuracy, validity and restricted access. Key controls were evaluated at the preventative, detective and system-based control level and were then matched with the corresponding key risks identified by management. Narratives and control matrices for all cycles are in binders located in the Internal Audit Department.

K. Assessment of controls over spreadsheets associated with financial reporting process

Process owners were asked to complete an inventory of all spreadsheets within the Company that are used to support significant financial processes, specifically:

- Spreadsheets used to support analytical review and management decision making.
- Spreadsheets used to directly determine financial statement transaction amounts for balances that are populated into the general ledger and/or financial statements.

Process owners were sent a template and instructed to fill in information such as the name of the spreadsheet, creator, access, frequency and extent of changes to spreadsheet. They were also asked to describe the key use of the spreadsheet output (i.e. back-up for journal entries, sent to accounting for input into system), who received such copies of output, and who reviews and approves the output for accuracy.

The spreadsheets were reviewed for use and complexity to determine their significance in supporting financial processes. Internal audit personnel then mapped the identified significant spreadsheets to the corresponding process narrative and key controls to ensure that the necessary controls were present to mitigate certain risks inherent in a spreadsheet environment. Once each spreadsheet was associated with a key control, Internal Audit reviewed the testing procedures for the control to ensure there was adequate testing of the spreadsheet output (i.e., if it was the basis for a journal entry that the review of the output was performed). If needed, Internal Audit performed excess testing to verify the controls surrounding the spreadsheet were operating effectively. See Appendix 8 for list of significant spreadsheets.

Based on the results Internal Audits assessments of the significance of the spreadsheets and testing of related key controls, no deviations from the control processes were found to indicate any significant deficiencies.

L. Fraud risk assessment

Management comprised of certain members of the Core team and Steering committee, identified possible fraud risks/schemes that could occur within the organization. Each fraud risk/scheme identified was evaluated then mapped to the related cycle narrative and control matrixes by internal audit, to determine whether internal controls exist to mitigate the risk. Special consideration was given to the risk of override of controls by management. Programs and controls that deal with management override include:

- Oversight by the audit committee
- Internal audit function and involvement
- Published Codes of Business Conduct and Ethics
- Annual Code of Business Conduct and Ethics Confirmation
- Ethics hotline and whistleblower program

- Formal hiring and Employee training procedures and programs
- Disciplinary program

In addition, internal audit performed an entity level risk assessment as noted in D. above to determine whether the Company sets and maintains the proper "Tone at the Top" and encourages ethical behavior as well as open lines of communication.

Based on the results of Internal Audit's evaluation and testing of a combination of preventive, deterrent and detective controls management concludes the Company has an effective antifraud environment. Controls are in place that, 1) significantly reduce the likelihood of fraud that may have a material effect on the Company's financial statements or 2) identifies such fraud in a timely manner, minimizing the resulting damage. See Fraud Risk Assessment Matrix at Appendix 9.

M. Identification of Management testing team and Testing Approach

Testing team

Management comprised of certain members of the Core team and Steering committee, assembled a SOX project team that was responsible for the testing of the key controls identified. The following individuals were selected as members of the team:

Carol Spriggs	Director of Internal Audit
Stacy Potter	Senior Internal Auditor
Samantha Sill	Internal Auditor
Beverly Hines	Internal Auditor

In addition, the Company utilized two independent firms to assist with testing of internal controls. Grant Thornton founded in 1924, is a leading global accounting, tax and management advisory firm that serves public and private middle-market clients with 650 offices in over 100 countries. Hardy & Associates CPA's, P.C., is a local Joplin Missouri firm in business since 1986. Jim Hardy is a CPA with over 33 years of experience and serves not only the four state area but clients throughout the United States. Jim's work experience includes Chief Accountant with Leggett and Platt – a Fortune 500 Company, Plant Controller for Motorola and accounting positions at two local CPA firms.

Testing Approach

A total of 242 key controls were tested in order to validate design and operating effectiveness and to provide reasonable assurance that transactions are complete, accurate, valid and that the ability to record transactions is appropriately restricted. Testing procedures were developed using generally accepted auditing standards and included observation, inquiry, examination, re-performance and review of process and control outputs. The extent of testing of a particular control varied depending on the frequency, complexity and importance of the control and whether it was automated or manual.

Sampling Approach

Management adopted the following sampling approach derived from PwC's publication "Compliance with Section 404 of the Sarbanes Oxley Act: A Company Perspective". Based on the refresher testing guidelines, also provided by PwC, the fourth quarter was included within the sample for testing of each control. Samples covered year ending December 31, 2004 and were performed during 2004 and updated in 2005 to include testing of year-end and fourth quarter controls.

Company sample sizes derived from "Compliance with Section 404 of the Sarbanes Oxley Act: A Company Perspective"

Control Frequency	Sample Size
Multiple times per day	60
Daily	40
Weekly	20
Bi-weekly	10
Monthly	5
Quarterly	3
Annually	1

Additional refresher testing sampling guidelines

Control Frequency	Original Sample Size	Refresher Sample Size
Quarterly	2	1
Monthly	4	1
Weekly	15	5
Daily	30	10
Multiple times per day	45	15

N. Identification of control deficiencies and corresponding remediation plans

The documentation, review and testing of key controls and risk led to the identification of control deficiencies by the documentation teams. Internal Audit met with the appropriate process owners and frontline managers (responsible for the process) to design remediation solutions to improve internal controls. Improvements included changes or additions to policies, processes, controls, reports and systems. Prior to implementation remediation solutions were reviewed with management for effectiveness. After developing management's conclusions on proposed remediation, Internal Audit discussed with PwC to ensure satisfactory resolution, pending effectiveness testing. Process owners were charged with the task of implementing the remediation solutions in an expeditious manner prior to testing.

O. Description of Remediation Efforts and Execution

The control testing identified certain control gaps between the desired control objective and actual control performance as well as control deficiencies identified through the noting of exceptions or during testing. Management identified such gaps and weaknesses and designed control remediations and /or new controls as appropriate.

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An update of control gaps, weaknesses, and proposed plans to improve controls was communicated to the Steering Committee, PricewaterhouseCoopers and the Audit Committee on a regularly established basis.

After the remediation and/or new controls had been functioning for an adequate period of time, in accordance with PCAOB standards, the controls were retested to provide assurance of their effectiveness. The guidelines for remediation and/or new control testing sample sizes provided by the Company's external audit firm were as follows:

Control Frequency	Minimum Time Period/Number Of Times of Operation for Remediated Control as of the End of the Fiscal Year	Minimum Number of Items to Be Tested for Remediated Controls
Multiple times per day	25 times	25
Daily	20 days	10
Weekly	5 weeks	2
Monthly	2 months	2
Quarterly	2 quarters	2

P. Summary of Deficiencies

All deficiencies identified during documentation and testing of key processes were assessed based on their materiality, significance in relation to the financial statements and their related mitigating controls and were documented on a "Summary of Aggregate Deficiencies (SAD)" report. (See appendix 10) Unremediated items were then evaluated by management using the suggested framework developed by several large national accounting firms and approved by the PCAOB ("A Framework for Evaluating Control Exceptions and Deficiencies"). This evaluation is discussed in the next section.

Q. Management's evaluation of noted deficiencies

Management's (comprised of certain members of the Core team and Steering committee), evaluation of unremediated deficiencies included a determination of the potential magnitude the deficiency could have on both annual and interim financial statements, any qualitative factors that might be present, the effectiveness of any mitigating controls, and the likelihood of a material misstatement to both annual and interim financial statements. Management also evaluated the level of detail and degree of assurance that would satisfy a prudent official that they have reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in conformity with generally accepted accounting principles. For management's evaluation of unremediated deficiencies see Appendix 11.

Senior Management has concluded that none of the unremediated deficiencies that were discovered during the assessment process represent a material weakness. However as indicated in Appendix 11, three unremediated deficiencies did rise to the level of a significant deficiency.

R. Management's overall assessment of control environment

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Based on the Company's assessment as noted above, no material weaknesses in the design or operation of internal control over financial reporting that could adversely affect the company's ability to record, process, summarize and report financial information were noted.

There were no discovered instances of fraud, whether material or immaterial, involving any Empire District employee having a significant role in the internal control environment surrounding financial reporting.

The Company did not use PwC's procedures performed during the audits of internal control over financial reporting or the financial statements as part of the basis for management's assessment of the effectiveness of internal control over financial reporting.

Subsequent to the date of this report, there have been no changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by the Company with regard to significant deficiencies and material weaknesses.

The Company concludes that The Empire District Electric Company's internal controls over financial reporting were effective as of December 31, 2004.

William L. Gipson
W. L. Gipson
President and CEO

G A Knapp
G. A. Knapp
Vice President – Finance and CFO

D. L. Coit
D. L. Coit
Controller and Asst. Secretary & Asst. Treasurer

L. A. Delano
L. A. Delano
Director of Finance and Asst. Controller

Carol S. Spriggs
C. S. Spriggs
Director of Internal Audit