Exhibit No.:
Issues: *Allocations; Revenue; Billing Costs; Uncollectible Expense; Pensions; Prepaid Pension Asset; Other Post-Employment Benefits (OPEBs)*
Witness: *Doyle L. Gibbs*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *ER-2004-0570*
Date Testimony Prepared: *September 20, 2004*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED[3]

DEC 2 8 2004

Missouri Public Service Commission

DIRECT TESTIMONY

OF

DOYLE L. GIBBS

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2004-0570

Jefferson City, Missouri
September 2004

Exhibit No. 41
Case No(s). ER-2004-0570
Date 12-06-04 **Rptr** XF

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In The Matter of the Tariff Filing of The Empire District Electric Company to Implement a General Rate Increase for Retail Electric Service Provided to Customers in its Missouri Service Area.	)))))	Case No. ER-2004-0570

AFFIDAVIT OF DOYLE L. GIBBS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Doyle L. Gibbs, being of lawful age, on his oath states: that he has participated in the preparation of the following direct testimony in question and answer form, consisting of 14 pages to be presented in the above case; that the answers in the following direct testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Doyle L. Gibbs

Doyle L. Gibbs

Subscribed and sworn to before me this 16th day of September 2004.

Toni M. Charlton

Notary

TONI M. CHARLTON, NOTARY SEAL, NOTARY PUBLIC, STATE OF MISSOURI

TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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DOYLE L. GIBBS

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2004-0570

DIRECT TESTIMONY

OF

DOYLE L. GIBBS

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2004-0570

Q. Please state your name and business address.

A. Doyle L. Gibbs, 1845 Borman Court, Suite 101, St. Louis, Missouri 63146.

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

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

Q. Please describe your educational background.

A. I attended the University of Missouri – St. Louis, where I received a Bachelor of Science degree in Business Administration with a major in Accounting in 1976. I passed the Uniform Certified Public Accountant examination in 1988. I have been licensed as a Certified Public Accountant in the state of Missouri since February 1989.

Q. What has been the nature of your duties while in the employ of this Commission?

A. I have conducted and assisted with the audits and examinations of the books and records of utility companies operating within the state of Missouri.

Q. Have you previously filed testimony before the Commission?

A. Yes. Please see Schedule 1, attached to my testimony, for the list of cases in which I have previously filed testimony. Included on Schedule 1 are the issues covered in some of my recent testimony filings.

Q. With reference to Case No. ER-2004-0570, have you made an investigation with respect to Empire District Electric Company's (Empire, EDE or Company) rate change request?

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

Q. What did your investigation entail?

A. My investigation included the review and examination of the Company's filing, its supporting work papers and underlying financial reports and records. Information and data was further obtained through the issuance of Data Requests and conversations with Company personnel, review of work papers and other information generated from past Company cases, Commission Orders and Staff testimony on related issues in other utility company cases.

Q. What is your primary responsibility in this case?

A. My primary areas of responsibility in this case are Allocations, Revenue, Billing Costs, Uncollectible Expense, Pension Expense, Prepaid Pension Asset and Other Post Employment Benefits (OPEBs).

Q. What knowledge, skill, experience, training or education do you have in these matters?

A. As previously stated, my college degree had an emphasis in Accounting and I successfully passed the Certified Public Accounts Exam, which included sections on accounting practice, theory and auditing. During my approximately 28 years of employment with the Commission, I have acquired general knowledge of these topics through my experiences and analyses in prior rate cases before this Commission, some of which include a previous EDE case. I have attended numerous internal and external seminars, conferences and training related to utility regulation. I have also acquired knowledge through review of Staff testimony and Commission decisions regarding these areas and have reviewed the Company's testimony, work papers and responses to Staff's data requests in this case addressing these topics.

Q. What is the purpose of your direct testimony?

A. The primary purpose of my direct testimony is to discuss the calculation and application of jurisdictional allocation factors within the Staff's Accounting Schedules and to explain the following Staff adjustments contained in Accounting Schedule 10, Adjustments To Income Statement.

Revenue	
Unbilled Revenue	S-1.2
City Franchise Tax	S-1.3
Interim Energy Charge	S-1.4
Customer Growth	S-1.6
Billing Costs	S-10.4
Pension Expense	S-14.3
Prepaid Pension Asset Amortization	S-14.4
OPEB expense	S-14.5

Additionally, I am sponsoring Accounting Schedule 1, Accounting Schedule 9 and Accounting Schedule 10, which are Revenue Requirement, Income Statement and Adjustment To Income Statement, respectively, contained in Staff's Accounting Schedules. I will also address the Prepaid Pension Asset reflected on Accounting Schedule 2, Rate Base.

ACCOUNTING SCHEDULES

Q. Please discuss the Accounting Schedules you are sponsoring.

A. Accounting Schedule 1, Revenue Requirement, is the Staff's calculation of the Revenue Requirement based on the rates of return sponsored by Staff witness David Murray of the Financial Analysis Department.

Accounting Schedule 9 is the Income Statement for the test year ending December 31, 2003, updated through June 30, 2004. It depicts the test year total electric income statement as recorded for the test year (Column B), the Staffs adjustments to Total Company (Column C) and Missouri Jurisdictional operations (Column E) and the Missouri jurisdictional adjusted income statement (Column G). The Total Company test year amounts in Column (B) and the Total Company adjustment in Column (C) were allocated to Missouri based on the allocation factors listed in Column (D). The Total Company test year and adjustment amounts, as allocated, were added to the Missouri jurisdictional adjustments to determine the Missouri Adjusted Jurisdictional income statement in Column (G).

Each adjustment reflected on Accounting Schedule 9 in columns (C) and (E) is a summary of the individual adjustments proposed by the Staff itemized on Accounting Schedule 10, Adjustments to Income Statement.

JURISDICTIONAL ALLOCATION FACTORS

Q. What jurisdictional allocation factors were used in this case?

A. The Missouri electric jurisdictional allocation factors used by the Staff in this case are presented on Schedule 2 attached to my direct testimony. Schedule 2 also provides a description of each allocation factor, how it was developed and its application within the Staff's Accounting Schedules.

Q. Why is it necessary to allocate costs in this case?

A. Empire provides retail electrical power in several states, including wholesale power to several municipalities. An allocation process is necessary to identify costs to specific state and federal jurisdictions.

Q. On Schedule 2, attached to your direct testimony, there is an allocation "on system" retail revenue and "on system" Operations and Maintenance (O&M) expense composite. What is meant by the term "on system?"

A. "On system" retail revenue refers to the revenue generated through the application of approved (state and federal) tariffs. The allocation "on system" O&M expense composite is in reference to the expense associated with the "on system" retail revenue.

REVENUE

Q. Please explain the revenue adjustments you are sponsoring.

A. Adjustments S-1.2, S-1.3 and S-1.4, respectively, eliminate unbilled revenue, city franchise tax and interim energy charges (IEC) recorded during the test year ending December 31, 2003 in order to restate revenue on an as-billed tariff basis.

Q. Why was the adjustment to unbilled revenue necessary?

A. Unbilled revenue is an estimate recorded on the books of the Company to restate revenue from an as-billed basis to a calendar year basis for financial statements purposes. The Staff's Adjustment S-1.5 to the Income Statement adjusts the test year as-billed revenue to reflect normal weather and a 365-day year. Because Staff's calculation reflects a full 365-day-year of revenue, the test year recorded unbilled revenue must be eliminated or the adjusted level of revenue will reflect something other than a full year. Adjustment S-1.5 to adjust test year as-billed revenue for normal weather and a 365-day year is explained in the direct testimony of Staff witness Janice Pyatte, Regulatory Economist in the Commission's Energy Department, Operations Division.

Q. Why was adjustment S-1.3 made to eliminate city franchise tax?

A. City franchise tax, often referred to as gross receipts tax (GRT), is not a revenue source designed to be collected through the application of a Commission approved tariff. It is a tax imposed by a municipality that the Company is obliged to collect and remit to the municipality. Although there is no impact on earnings related to the city franchise tax (because the resulting revenue recorded by the Company is offset by a corresponding charge to expense) Staff's revenue requirement should only reflect the revenue that will be generated through the application of approved Commission tariffs and be void of any impact related to non-tariff revenue such as city franchise tax.

Q. The IEC is the result of an approved tariff. Why has the Staff proposed adjustment S-1.4 to eliminate the test year IEC?

A. The IEC tariff was terminated December 1, 2002, the date new rates became effective as a result of Empire's last rate case, Case No. ER-2002-424. The test year contained revenue credits for refunds associated with this terminated interim tariff. Because the IEC tariff is not permanent, it would not be appropriate to include any impact related to the IEC tariff in the determination of on-going rates.

Q. Please explain adjustment S-1.6.

A. Adjustment S-1.6 annualizes revenue to reflect customer growth for customers served under the Company tariff sheets for Residential Service - Schedule RG, Commercial Service – Schedule CB, Small Heating Service – Schedule SH, General Power Service – Schedule GP and Total Electric Building Service – Schedule TEB.

Q. How did you calculate your revenue growth adjustment for the customers served under the aforementioned tariffs?

A. The calculation of growth for each customer tariff class used the same methodology. The test year average annual as-billed weather-normalized revenue per customer for each tariff class was multiplied by the number of customers in the respective tariff class at June 30, 2004, the end of the update period in this case. The difference between the product of this calculation and the test year annual as-billed weather-normalized revenue is the adjustment for customer growth for that tariff class. Adjustment S-1.6 reflects the summary of the growth adjustments made for the tariff schedules RG, CB, SH, GP and TEB. The annual as-billed weather-normalized revenue for each tariff class, as previously indicated, was provided by Staff witness Pyatte.

Q. How was the test year average annual as-billed weather-normalized revenue per customer calculated?

A. For each tariff class the weather-normalized revenue for each month, provided by Staff witness Pyatte, was divided by the average number of customers for the respective month. The test year annual average weather-normalized revenue per customer is the sum of the average weather-normalized revenue per customer calculated for each month of the test year. The average number of customers each month was the sum of the number of customers at the beginning of the month and the number of customer at the end of the month divided by two.

Q. Did the Staff make any adjustments to revenue for any of the other state jurisdictions besides Missouri?

A. No adjustment has been made to revenue for other state jurisdictions. However, a calculation using the same methodology referenced above to calculate revenue was performed to determine the impact of customer growth on the level of kWh sales in Missouri and other state jurisdictions. The impact of growth on kWh sales in Missouri and the other jurisdictions was provided to Leon Bender, from the Energy Analysis Section of the Commission's Energy Department, for inclusion in the fuel model to calculate the annualized level of fuel cost. Please refer to the testimony of Staff witness Bender for information concerning the development of fuel cost.

Q. Do you have any comment about any other revenue item?

A. Yes. The Staff has included the revenue from the sale of emission credits above-the-line in the Staff's Income Statement, Accounting Schedule 9. In accordance with the Clean Air Act Title IV regulations, the United States Environmental Protection Agency (EPA) must deduct two percent of each year's emission allowance allocation and put them up for auction. The proceeds from the auction of the emission credits are then remitted back to the owner of the emission credit allowance. The revenue included by the Staff in the Income Statement is Empire's 2003 proceeds from the EPA from the sale of the auctioned emission credit allowances.

Q. Is this treatment consistent with the Staff's treatment of emission credits in previous Empire cases?

A. Yes, it is.

BILLING COSTS

Q. Please explain your adjustment to billing costs?

A. Adjustment S-10.4 increases expense to reflect the additional billing costs associated with the change in the number of customers and encompasses the expense related to material stock for the billing statement, billing envelope, return envelope and postage. To calculate the adjustment, the annualized number of bills (the number of customers at June 30, 2004 multiplied by twelve) was compared to the sum of the number of customers in each month of the test year. The difference represents the additional number of bills the Company would have to mail on an annual basis. The average combined cost per billing for the billing statement, billing envelope, return envelope and postage was multiplied by the number of additional bills to determine the additional billing costs the Company will incur.

UNCOLLECTIBLE EXPENSE

Q. Is the Staff proposing any adjustment to uncollectible expense?

A. No. Based on the Staff's review of the Company's expense accrual for uncollectible accounts and the history of actual accounts written off, before and during the test year, it was determined that an adjustment to uncollectible expense was not warranted.

PENSION EXPENSE

Q. Please identify the adjustment you are sponsoring to pension expense.

A. I am sponsoring adjustment S-14.4 to adjust pension expense to reflect the use of the minimum pension contribution to the pension fund required by the Employee Retirement Income Security Act of 1974 (ERISA).

Q. On what basis is pension expense reflected in the Company's rates currently in effect?

A. In the Stipulation and Agreement from the Company's last case, Case No. ER-2002-424, it was agreed that rates would include pension expense based on ERISA minimum required pension contributions, and pension expense is currently reflected in Empire's rates on that basis. The Staff's position in the current case is a continuation of the use of ERISA minimum required pension contributions to establish pension expense for ratemaking purposes.

Q. Adjustment S-14.4 appears to be a considerable reduction to test year pension expense. Is this a reflection of the change in minimum ERISA?

A. No. Although the Company agreed to the use of ERISA minimum pension contributions for setting rates, it has continued to record pension expense on its books using the accrual accounting method, according to the Statement of Financial Accounting Standard (FAS) 87.

Q. Historically, what has been Empire's required ERISA minimum pension contribution?

A. From at least 1998 through 2002 the Company's annual ERISA minimum pension contribution was zero. An ERISA minimum pension contribution of approximately $342,000 was required for 2003, of which, approximately $256,000 would have been the electric O&M portion if the contribution had been used as the basis for pension expense in the financial statements of Empire. The Company's actuary has indicated that there will be no ERISA funding requirement for 2004.

Q. With respect to the ERISA minimum pension contribution, what amount has the Staff included in its test year for pension expense?

A. Based on the ERISA minimum contribution information provided by the Company in response to Staff Data Request No. 414, the Staff's pension expense included in this case is zero. However, the Staff is also proposing that, in the event that future ERISA minimum pension contributions are required, Empire can record on its books a regulatory asset for the difference between the ERISA minimum pension contribution and the amount included in rates, currently zero. This regulatory asset will be included in rate base in the Company's next case and amortized over a five-year period. Additionally, Empire can make such entries on its books as are appropriate under FAS 71 to reflect that rates do not include FAS 87 in cost of service.

PREPAID PENSION ASSET

Q. What is a prepaid pension asset?

A. A prepaid pension asset is a "paper" asset that is created when expense recorded on the books, based on the FAS 87 accrual method, is less than the actual cash contributions made to the pension fund. In the case of Empire, FAS 87 expense for a number of years was negative. So, although cash contributions have been zero, an asset is still reflected on its books because of the negative expense accrual.

Q. How does the prepaid pension asset affect ratemaking?

A. If rates are based on cash contributions, a prepaid asset has no relevance. However, FAS 87 was used for ratemaking for Empire beginning August 15, 1994—the effective date of rates from Case No. ER-94-174. Empire continued to have rates that included pension expense based on FAS 87 until December 1, 2002—the effective date of the rates established in Case No. ER-2002-424. As previously stated above, in its last rate case Empire agreed to use ERISA minimum pension contributions to determine pension expense for ratemaking purposes. During the time that Empire's rates included pension expense based on FAS 87, ratepayers have benefited from the negative pension expense, which had a direct impact on the magnitude of the prepaid pension asset. As a result, Empire is entitled to ratemaking treatment for the prepaid pension asset that accumulated while FAS 87 was used in determining pension expense for ratemaking purposes.

Q. What ratemaking treatment for the prepaid pension asset is the Staff recommending?

A. Continuing the agreement made by the parties in Empire's last rate case, Case No. ER-2002-424, the Staff is recommending the prepaid pension asset be included in Rate Base, net of accumulated amortization of the prepaid pension asset, that the prepaid pension asset be amortized over seven years and the annual amount resulting from this amortization be included as an expense in the income statement for the test year. The prepaid pension amortization is identified on Accounting Schedule 10 as adjustment S-14.4.

Q. How did the Staff determine the prepaid pension asset balance it included in Rate Base?

A. The balance of the prepaid pension asset as of December 1, 2002, the effective date of rates that reflected the ERISA minimum pension contribution, was adjusted to eliminate the prepaid pension asset that had been accumulated prior to Empire's August, 1994 adoption of FAS 87 for ratemaking. This balance was then reduced by the amount of the amortization that accrued from December 1, 2002—the time the rates from Case No. ER-2002-424 became effective—through June 30, 2004, the update period in this case. This adjusted prepaid pension asset balance was then allocated to Empire's electric operations based on the test year electric operations as a percent of Total Company. The electric component of the adjusted prepaid pension asset was then allocated to Missouri based on the composite "on system" O&M factor.

Q. Please explain adjustment S-14.4.

A. Adjustment S-14.4 is the annual amortization expense of the prepaid pension asset previously discussed. The expense reflects a seven-year amortization of the prepaid pension asset which corresponds to the time span over which the prepaid pension asset was accumulated while rates were set using FAS 87 for pension expense.

Q. Why is it necessary to amortize the prepaid pension asset?

A. As previously discussed, the prepaid pension asset is a result of FAS 87 expense being less than pension fund contributions. Theoretically, over the life of the pension plan, the accumulated FAS 87 expense and fund contributions will be the same. Therefore, sometime during the life of the pension plan the fund contributions will exceed the FAS 87 expense, which would then reduce the prepaid pension asset. However, for ratemaking purposes, there will no longer be an accrual/cash difference to affect the prepaid pension asset since pension expense is based on ERISA, which uses cash basis accounting. With adoption of the use of ERISA minimum pension contribution for ratemaking purposes, the only way to reduce the prepaid pension asset balance is through a manual amortization of the balance

OPEBs

Q. Please explain the adjustment you are sponsoring to Other Post-Employment Benefits (OPEBs).

A. Adjustment S-14.5 adjusts OPEBs expense based on Financial Accounting Standard 106 (FAS 106).

Q. Why have you based your adjustment on FAS 106?

A. The Commission is required by Missouri Law, Section 386.315, RSMo, passed in 1994, to allow rate recovery of OPEBs expense as calculated under FAS 106 for ratemaking purposes. This statute also requires the use of an independent external funding mechanism.

Q. How has the Staff determined the FAS 106 expense?

A. The Staff's FAS 106 expense amount is based on the use of the market related value of assets and a five-year amortization of the five-year average balance of unrecognized gains and losses. The use of market related value was adopted for ratemaking purposes in Empire's last rate case, Case No. ER-2002-424 and a five-year amortization of the five-year average balance of unrecognized gains and losses have been used since Case No. ER-2001-299.

Q. Does this conclude your direct testimony?

A. Yes, it does.

CASE PROCEEDING PARTICIPATION

DOYLE L. GIBBS

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Missouri-American Water Company	WR-2003-0500 WC-2004-0168	Pensions, Other Post Employment Benefits (OPEBs), Income Taxes, Reserve Deficiency Amortization
Union Electric (dba AmerenUE)	EC-2002-1025	Direct-Allocations, Territorial Agr & I&D
Union Electric Company	EC-2002-1	Direct - Revenue, Uncollectibles, Gross Receipts Tax, Territorial Agreements, Allocations, Payroll, Incentive Compensation, Payroll Taxes, Injuries & Damages, Depreciation
Laclede Gas Company	GR-2001-629	Environmental Costs; Cost of Removal Accounting Authority Orders; Incomes Taxes
St. Louis County Water Company	WR-2000-844	Direct – Accounting Schedules, Revenue, Purchased Water, Fuel & Power, Chemicals, Uncollectibles, Pensions, OPEBs, Outside Services
Missouri-American Water Company	SR-2000-282	True-up Rebuttal – Chemicals, Property Taxes
Missouri-American Water Company	SR-2000-282	True-up Direct – Impact of True-up audit
Missouri-American Water Company	SR-2000-282	Direct - True-up, Plant, Depreciation Reserve, Depreciation Expense, Materials & Supplies, Prepayments, Deferred Income Tax, Customer Deposits & Advances, Property Tax, Income Tax
Missouri-American Water Company	WR-2000-281	True-up Rebuttal – Chemicals, Property Taxes
Missouri-American Water Company	WR-2000-281	True-up Direct – Impact of True-up audit
Missouri-American Water Company	WR-2000-281	Direct - True-up, Plant, Depreciation Reserve, Depreciation Expense, Materials & Supplies, Prepayments, Deferred Income Tax, Customer Deposits & Advances, Property Tax, Income Tax
United Water Missouri	WR-99-326	Accounting Schedules
Laclede Gas Company	GR-99-315	True-up Direct – Impact of True-up audit
Laclede Gas Company	GR-99-315	Direct – True-up, Plant, Depreciation Reserve, Depreciation Expenses
Laclede Gas Company	GR-98-374	Direct – Income Tax, Injuries & Damages, Rate Case Expense
Missouri-American Water Company	WO-98-204	Direct – Revenue Requirement for District Specific Pricing

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Missouri-American Water Company	WR-97-237	Payroll, Employee Benefits, Payroll Taxes, Other Insurance, Non-recurring Credits, True-up
Atmos Energy Corporation/ United Cities Gas Company	GM-97-70	Rebuttal – Public Detriment, Accounting for merger, Merger Premium
Laclede Gas Company	GR-96-193	Direct – Income Tax, AAO's, Pensions, OPEBs, PSC Assessment
Empire District Electric Company	ER-95-279	Direct - Income Tax, Non-group insurance
Laclede Gas Company	GR-94-220	
St. Louis County Water Company	WR-94-166	
Missouri-American Water Company	WM-93-255	
Southwestern Bell Telephone Company	TC-93-224	
Missouri-American Water Company	WR-93-212	
St. Joseph Power & Light	ER-93-41	
Missouri Pipeline	GR-92-314	
Laclede Gas Company	GR-92-165	
St. Louis County Water Company	WR-91-361	
Missouri Cities	WR-91-172	
Missouri Cities	WR-90-236	
Missouri-American Water Company	WR-89-265	
Missouri Cities Water Company	SR-89-179	
Missouri Cities Water Company	WR-89-178	
St. Louis County Water Company	WR-88-5	
St. Louis County Water Company	WR-87-2	
Missouri Cities Water Company	SR-86-112	
Missouri Cities Water Company	WR-86-111	
Southwestern Bell Telephone Company	TR-86-84	
Arkansas Power & Light Company	ER-85-265	
Missouri Cities Water Company	SR-85-158	
Missouri Cities Water Company	WR-85-157	

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Arkansas Power & Light Company	ER-85-20	
Union Electric Company	ER-84-168	
St. Louis County Water Company	WR-83-264	
Union Electric	ER-83-163	
Missouri Cities Water Company	SR-83-15	
Missouri Cities Water Company	WR-83-14	
Laclede Gas Company	GR-82-200	
Capital City Water Company	WR-82-117	
Union Electric Company	ER-82-52	
Union Electric Company	HR-81-259	
Laclede Gas Company	GR-81-245	
Union Electric Company	ER-81-180	
Citizens Electric Cooperative	ER-81-79	
Southwestern Bell Telephone Company	TR-80-256	
Laclede Gas Company	GR-80-210	
Lake St. Louis Sewer Company	SR-80-189	
Union Electric Company	ER-80-17	
Southwestern Bell Telephone Company	TR-79-213	
Associated Natural Gas Company	GR-79-126	
Citizens Electric Cooperative	ER-79-102	
St. Louis County Water Company	WR-78-276	
Laclede Gas Company	GR-78-148	
Missouri Cities Water Company	SR-78-108	
Missouri Cities Water Company	WR-78-107	
St. Joseph Water Company	WR-77-226	
Union Electric Company	ER-77-154	
Laclede Gas Company	GR-77-33	

PARTICIPATION		TESTIMONY
COMPANY	**CASE NO.**	**ISSUES**
Missouri Cities **	18510	

Empire District Electric Company
Case No. ER-2004-0570

Allocation Factors

			Application		
Description	Calculation	Factor	Rate Base	Income Statement	Tax Calculation
Direct Assignment			Distribution Plant	Revenue (excluding off-system sales for resale)	Contributions In Aid of Construction
Missouri		100.0000%	Customer Deposits	Regulatory Commssion Expense (A/C 928)	
Other Jurisdictions		0.0000%		City and Corporate Franchise Taxes (A/C 408)	
Fixed (CP)	[a]	81.9500%	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]	82.4900%	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.	89.6734%	Line Materials and Supplies	Distribution Expenses (A/Cs 580 - 598)	
Depreciable Distribution Plant	Missouri depreciable distribution plant divided by total Company depreciable distribution plant.	89.1813%		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.	85.1301%	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	87.4054%		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	84.8420%		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	83.1064%	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	84.9046%		Payroll Taxes (FICA and Unemployment) (A/C 408)	
Test Year Income Taxes	[c]	90.5738%		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.