

**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-2006-0315

**STIPULATION AND AGREEMENT  
REGARDING CORPORATE ALLOCATIONS**

COME NOW the Staff of the Missouri Public Service Commission (“Staff”), The Empire District Electric Company (“Empire”), and the Office of the Public Counsel (“Public Counsel”), collectively the “Signatories,” and respectfully state to the Missouri Public Service Commission (“Commission”):

1. The Signatories have reached a Stipulation And Agreement (“Agreement”) regarding the allocations to Empire’s Missouri electric operations of both its administrative and general (“A&G”) expense and its general plant costs. This issue relates to the June 1, 2006 acquisition by Empire of Aquila Inc.’s Missouri natural gas utility properties. Because this issue arose only in connection with the filing of true-up direct testimony on September 27, 2006, it was not included in the parties’ List Of Issues, filed August 28, 2006.

2. The Signatories hereby agree that Empire’s revenue requirement in this rate proceeding will be reduced by \$500,000 to reflect the impact on test year A&G allocation factors pertaining to Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts (“USOA”) expense accounts 920 through 935 of the aforementioned acquisition. The Signatories further agree that Empire’s revenue

requirement in this rate proceeding will be reduced by \$150,000 to reflect the impact on test year general plant allocation factors pertaining to FERC USOA plant in service accounts 389 through 398 of said acquisition.

3. Counsel for Praxair, Inc. and Explorer Pipeline Company, Kansas City Power & Light Company, Aquila, Inc. and the Missouri Department of Natural Resources, the other parties to this proceeding, have been contacted and have indicated that they have no objection to this Agreement.

4. This Agreement is being entered into for the purpose of disposing of the issue that is specifically addressed herein. In presenting this Agreement, none of the Signatories hereto shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking principle or procedural principle, including, without limitation, any method of cost or revenue determination or cost allocation or revenue related methodology, and none of the Signatories shall be prejudiced or bound in any manner by the terms of this Agreement in this or any other proceeding, other than a proceeding limited to enforce the terms of this Agreement, whether this Agreement is approved or not, except as otherwise expressly specified herein.

5. If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void, neither this Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any Signatory has for a decision in accordance with Section 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval. Any

suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

6. If the Commission accepts the specific terms of this Agreement, the Signatories waive, with respect to the issue resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500 RSMo 2000 and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. These waivers apply only to a Commission order respecting this Agreement issued in this above-captioned proceeding, and do not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement.

7. This Agreement contains the entire agreement of the Signatories concerning the issue addressed herein.

8. Should the Commission have questions about this Agreement, the Signatories will make available their witnesses and attorneys on the issue resolved by this Agreement. If the Commission has questions for the Signatories' witnesses or Signatories, the Signatories will make available, at any on-the-record session, their witnesses and attorneys on the issue resolved by this Agreement, so long as all parties

have had adequate notice of that session. The Signatories agree to cooperate in presenting this Agreement to the Commission for approval, and will take no action, direct or indirect, in opposition to the request for approval of this Agreement.

WHEREFORE, the Signatories respectfully request that the Commission issue an Order in this case approving this Agreement regarding the effect of the Aquila gas property acquisition on the allocation of Empire's common corporate costs, subject to the specific terms and conditions contained herein.

Respectfully submitted,

**/s/ Dennis L. Frey**

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 13th day of October 2006.

**/s/ Dennis L. Frey**