Exhibit No.
Issue: Cost of Service and Rate Design
Witness: H. Edwin Overcast
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Gas
Case No.
Date Testimony Prepared: June 2009

Before the Public Service Cor
of the State of Missou

100

Direct Testimony

of

H. Edwin Overcast

June 2009

Empire Exhibit No. 11
Case No(s). GR-2009-0434
Date 1-05-10 Rptr KF

TABLE OF CONTENTS
DIRECT TESTIMONY OF
H. EDWIN OVERCAST
ON BEHALF OF
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMPANY
CASE NO.

DIRECT TESTIMONY OF
H. EDWIN OVERCAST
ON BEHALF OF
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMPANY
CASE NO.

Section 1- Introduction

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. H. Edwin Overcast
P. O. Box 2946
McDonough, GA 30253

Q. WHAT IS YOUR POSITION AND BY WHO ARE YOU EMPLOYED?

A. I am a Director with Enterprise Management Solutions, a Black & Veatch Corporation.

Q. ON WHOSE BEHALF ARE YOU APPEARING?

A. I am appearing on behalf of The Empire District Gas Company ("EDG" or "the Company").

Q. PLEASE DESCRIBE YOUR BUSINESS AND PROFESSIONAL BACKGROUND.

A. A detailed description of my educational and business background is provided in Appendix A. Briefly, I have a Ph. D. in Economics from Virginia Polytechnic Institute and State University. I have been employed in various analytical, management and executive positions in the gas and electric industry for over 30 years. During that time, I have testified extensively on a variety of regulatory matters including cost of service and rate design for natural gas Local Distribution Companies ("LDCs") in both a bundled and unbundled service model. I have participated as an instructor in the American Gas Association Rate Fundamentals course discussing issues such as Straight Fixed Variable ("SFV") rates, decoupling and other appropriate rate design alternatives as well as cost of

service. I have designed and implemented SFV rates for Atlanta Gas Light Company as part of their filing to unbundle natural gas service in Georgia.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony addresses the development of the cost of service study and the appropriate rate design for gas delivery service. As part of my testimony, I describe the problems inherent in recovery of fixed costs in volumetric rates. The testimony demonstrates that SFV rate design strikes the best balance between the competing objectives that are in play when a regulatory authority is making determinations regarding the establishment of rates and charges for public utility service. I demonstrate that SFV rate design matches rates and cost of service more closely than is possible with traditional volumetric rates. Further, I discuss the benefits of SFV incorporating more economically efficient price signals for consumers. In addition, I discuss the more practical benefits of the SFV rate design in minimizing adverse bill impacts on customers. I discuss the combination of the current North, South and Northwest areas of the EDG system in terms of distribution rates. Finally, I will discuss some proposed changes to the provisions of the transportation portion of the tariff.

Q. HOW IS THE TESTIMONY ORGANIZED?

A. The testimony is organized in the following sections:

Section 1- Introduction
Section 2- Cost of Service Principles
Section 3- Results of the Cost Study
Section 4- Principles of Rate Design
Section 5- Issues with Current Volumetric Rates
Section 6- Alternatives to Volumetric Rates
Section 7- The SFV Rate Design Proposal
Section 8- Combining Service Areas
Section 9- Transportation Tariff Issues
Section 10- Summary

In addition, I am sponsoring a number of schedules attached to the testimony.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A. My testimony supports EDG's proposed SFV rate design and recommends that the Missouri Public Service Commission ("Commission") adopt this approach for purposes of establishing just and reasonable rates and charges that will produce the revenue authorized by the Commission. I make this recommendation based on the analysis of the current volumetric rate design and an application of rate design and other regulatory principles. Importantly, SFV rates track costs more accurately than volumetric rates and eliminate intra-class discriminatory pricing. The gas distribution business is a capital intensive, fixed cost business. Under volumetric rates, revenue recovery is based on sales volumes which are driven by variable factors that are out of the LDC's control including, among other things, weather and natural gas prices. As things presently stand, I believe the current volumetric rate design is unreasonable and must be modified to: (1) help to stabilize and make more predictable the month-to-month bills customers pay for natural gas service provided by EDG; (2) more clearly delineate the relationship between the distribution service provided by EDG and the costs related to the supply of natural gas;(3) improve the quality of the price signals that occur by adopting a rate design that clarifies the match between the customer's and the Company's cost savings resulting from usage reductions; (4) reflect proper rate design principles; (5) facilitate budgeting and funding of the capital improvements that are necessary to maintain or improve the integrity of the systems of pipes and mains that must stand ready to meet the service needs of natural gas customers; and, (6) provide the Company with a reasonable opportunity to collect the revenues authorized by the Commission. . I also believe that an SFV rate design can have a useful influence on efforts to reduce the frequency of applications to increase base rates.

For residential customers and the smaller general service customers, I recommend a SFV rate structure that consists of an annual charge that is recovered through monthly customer charges that may be either uniform or variable. For the larger

general service customers, I ultimately recommend an SFV rate structure that consists of a customer charge and a demand charge with the demand based either on an imputed demand or the contract demand of the customer. As I explain in the testimony, the larger general service classes are less homogeneous than the residential and small general service classes and the combination of a customer and demand charge tracks cost better than the single annual charge. Based on discussions with EDG, we have not proposed to go completely to the recommended SFV rates but rather to make an interim step in order to have the time to refine the basis for customer groups and the SFV rate design.

Section 2- Cost of Service Principles

Q. WHAT IS THE PURPOSE AND USE OF THE COST OF SERVICE STUDY?

A. There are many purposes for utility cost analysis ranging from designing appropriate price signals to determining the share of costs or revenue requirements borne by various rate classes. In this case, the cost study is a useful guide for the allocation of the revenue requirements.

Q. PLEASE DESCRIBE THE VARIOUS TYPES OF COST OF SERVICE STUDIES THAT MAY BE USEFUL FOR RATE DESIGN AND THE ALLOCATION OF REVENUE REQUIREMENTS.

A. In general, cost studies may be based on embedded costs or marginal cost. Embedded cost studies analyze the costs for a test period based on either the book value of accounting costs (a historical period) or the estimated book value of costs for a forecast test year. Typically, embedded cost studies are used to allocate the revenue requirement between classes and between customers within a class. Marginal cost studies do not reflect actual costs but rely on estimates of the expected changes in cost associated with changes in service. Marginal cost studies are forward looking to the extent permitted by available data. Marginal

cost studies are useful for rate design where it is important to send appropriate price signals associated with additional consumption by customers.

Q. PLEASE DISCUSS THE REASON THAT COST OF SERVICE STUDIES ARE USED.

A. Cost studies represent an attempt to analyze which customer or group of customers cause the utility to incur the costs to provide service. The requirement to develop cost studies results from the nature of utility costs. Utility costs are characterized by the existence of common and joint costs[1]. In addition, utility costs may be fixed or variable costs[2]. Finally, utility costs exhibit significant economies of scale[3]. These characteristics have implications for both cost analysis and rate design from a theoretical and practical perspective. The development of cost studies, either marginal or embedded, requires an understanding of the operating characteristics of the utility system. Further, as discussed below, different cost studies provide different contributions to the development of economically efficient rates and the cost responsibility by customer class.

Q. PLEASE DISCUSS THE ECONOMIC THEORY UNDER-PINNING COST ANALYSIS.

A. Economic theory holds that efficient prices equal short-run marginal cost. For a gas utility characterized by economies of scale, setting prices based on marginal costs will not produce adequate revenues because marginal cost is below average cost. Utilities must be allowed a reasonable opportunity to earn a return of and on the assets used to serve customers. Since the utility could not satisfy the revenue adequacy constraint with prices based on marginal cost, economists developed a theoretical approach to reconciling marginal cost based prices with the revenue

[1] Common costs occur when the fixed costs of providing service to one or more classes or the cost of proving multiple products to the same class use the same facilities and the use by one class precludes the use by another class. Joint costs occur when two or more products are produced simultaneously by the same facilities in fixed proportions. In either case, the allocation of such costs is arbitrary in a theoretical economic sense.

[2] Fixed costs do not change with the level of output while variable costs change directly with the utility output. Most non-fuel related utility costs are fixed and do not vary with changes in load.

[3] Scale economies result in declining average cost as output increases and marginal costs below average costs.

constraint. The theory of Ramsey pricing resolves the revenue adequacy issue by suggesting that raising prices above marginal cost in relation to the inverse of the price elasticity of the product or service provided results in the least societal welfare loss from prices that differ from marginal cost.

Under Ramsey pricing (a form of differential pricing), customers' rates are increased above marginal cost until the rates produce adequate revenues. Increases are largest for those customers or classes of service whose demand is most inelastic. To implement Ramsey pricing requires, among other things, estimates of customer or class price elasticity. Since estimating price elasticity for gas service is complex, utilities developed other practical methods for resolving the revenue adequacy issue. Alternatively, the theory of multi-part pricing suggests that it is possible to recover average costs from infra-marginal prices while setting the marginal price equal to marginal cost. Thus, the use of block rates permits efficient prices while recovering total revenue requirements. Other examples of efficiency based rates includes the concept of fixed variable rate design where fixed cost recovery occurs through fixed charges (since fixed costs do not contribute to marginal cost) and variable charges recover variable costs.

The theory of pricing also requires a theory of class or service cost allocation. However, the existence of joint and common costs makes any allocation of costs arbitrary. This is theoretically true for any of the various marginal or embedded cost methods that may be used to allocate costs. Theoretical economists have developed the theory of subsidy free prices to evaluate traditional regulatory cost allocations. Prices are said to be subsidy free so long as the price exceeds marginal cost but is less than stand alone costs ("SAC"). Indeed all of this theory provides useful insight to the regulatory process where, as a practical matter, costs must be allocated between classes of service and within classes of service. For example, if the process of cost allocation results in rates that exceed stand alone costs for some customers, prices must be set below the stand alone cost but above

marginal cost to assure that those customers make the maximum practical contribution to common costs. SAC plays a role in addressing issues such as gas bypass where customers may potentially exit the grid. SAC represents an element of the allocation process for cost studies and is an alternative to the concept of fully allocated costs. Unlike other more conventional allocation methods SAC relies on estimated replacement costs rather than actual costs.

Q. IF ANY ALLOCATION OF COMMON COST IS ARBITRARY, HOW IS IT POSSIBLE TO MEET THE PRACTICAL REQUIREMENTS OF COST ALLOCATION?

A. As noted above, the practical reality of regulation often requires that common costs be allocated among jurisdictions, classes of service, rate schedules and customers within rate schedules. The key to a reasonable cost allocation is an understanding of cost causation. Under the traditional embedded cost allocation, the process follows three steps: functionalization, classification and allocation. This three step process underlies the determination of cost causation. By identifying the functions of utility service- supply, storage, transmission, distribution and customer for gas service- and the costs of these functions, the foundation is laid for classifying costs based on the factors that cause the utility to incur these costs- commodity, demand and customers. The development of allocation factors by rate schedule or class uses principles of both economics and engineering to develop allocation factors appropriate for different elements of costs. Embedded cost allocation may provide the class costs associated with actual test year revenue requirements or simply the relationship between costs and revenues for an historic period by customer class.

Q. PLEASE DISCUSS THE ELEMENTS OF MARGINAL COST ANALYSIS.

A. Marginal cost studies, in contrast to embedded cost studies, focus on the change in costs associated with a small change in output. Marginal costs are forward looking and require making estimates of future costs with an understanding of the elements that drive those future costs. As a practical matter, marginal costs bear no relationship to the mix of actual historical costs that constitute the utility

revenue requirement. The reasons that marginal costs do not reflect actual costs include the following:

1. The relationship between historic and prospective costs reflects changes in technology.
2. Sunk costs (the fixed cost of the existing system) do not impact marginal cost but may account for a large portion of the test year revenue requirement, particularly where economies of scale are significant.
3. The underlying impacts of inflation on prospective costs differ from past costs.
4. Additions to capacity are lumpy and as a result utilities optimal additions often include more capacity than the marginal change in load.

To estimate marginal cost, the first step requires determining the change in cost associated with the consumption of one more therm of natural gas. Essentially, marginal costs require an understanding of the system planning process. Often, however, the planning process does not provide all of the information necessary to develop marginal cost estimates. For the commodity component of marginal cost, the existence of competitive wholesale markets provides a direct basis for estimating marginal commodity costs. The rationale for this statement relies on the economics of competition where prices equal marginal cost in competitive markets. Having markets for gas commodity allows the direct estimation of marginal costs from the market.

To the extent that marginal costs differ by hour or by season, wholesale markets provide the basis for this determination. Where the utility purchases default service from the market at a fixed rate, the fixed rate provides the appropriate marginal commodity cost determination. Thus the existence of commodity markets and active futures markets makes the estimation of commodity marginal costs both less complex and more accurate.

The second step in the determination of marginal cost relates to the change in capacity requirements as measured by the daily therm demand of gas. Unlike the commodity determination, there is no competitive market for either transmission or distribution. Thus it is necessary to estimate how capacity demand influences the costs for distribution and transmission. The analysis begins by recognizing that the capacity demand is different for transmission and distribution because the load diversity increases as the analysis becomes remote from individual customers. Initially, the capacity requirements for transmission reflect the coincident demand for the transmission system as measured by loads on transmission. The capacity requirements for the distribution system must reflect the non-coincident demands on the system since delivery must satisfy the local demands that may not be coincident with the system peaks for a number of reasons. Although, for customers who use the gas system for heating, as opposed to process or interruptible services, demands tend to be coincident. For process and interruptible customers, marginal cost is zero for existing customers unless the customer expands operations. If expansion occurs marginal cost is the cost incurred to expand capacity to meet contract demand.

Gas customers in the residential and commercial service classes exhibit declining use per customer due to the improved efficiency of capital stock replacement and improvements to the thermal envelope. This declining use per customer creates additional design day capacity within the existing system to serve new loads. As a result, the growth in transmission plant and distribution plant for gas customers reflects the growth in number of customers using gas service. For existing customers the marginal distribution and transmission capacity related cost is actually zero. Marginal cost for new customers is the driver for the new investment in the gas system along with the replacement of aging infrastructure. Further, for gas service there are substantial economies of scale associated with gas distribution infrastructure such that the unit cost of capacity for gas delivery declines with size at a relatively rapid rate. The resulting marginal cost becomes the customer related expansion of main and service for gas delivery.

Q. PLEASE DISCUSS THE SCALE ECONOMIES ASSOCIATED WITH GAS DISTRIBUTION SERVICE.

A. Gas system scale economies reflect the relationship between the installed cost of pipe by size and type coupled with the increased capacity from pressure and pipe diameter. Simply doubling the size of the gas main more than doubles the available capacity of the main at a cost approximately equal to or less than double the smaller size all else equal. For a low pressure system, increasing pipe size from two inch to four inch allows over five times the amount of gas to flow and under higher pressure, the flow rate increases by more than six times that of two inch pipe all else equal. The resulting cost causation implies that larger customers impose lower per unit costs on the distribution system than do smaller customers. Table 1 below provides the data for EDG on the installed cost per foot of main and the available capacity to serve load based on standard operating pressure for the system.

Table 1

Main Cost Comparisons

Size of Main	Materials Costs per foot	Installation Costs per foot	Total cost per foot	Design Day Capacity*	Cost per foot of Design Capacity
2 inch	$1.10	$3.78	$4.88	195 Mcf/day	$0.025
4 inch	$3.57	$6.35	$9.92	1,102 Mcf/day	$0.009

*Based on 5280 feet of main

Further, given the customer density for the EDG system of 46 customers per mile of line, the minimum size of pipe installed will serve the design day load characteristics of the smallest customers and even for larger customers up to 387 Mcf per year assuming a 25 percent annual load factor. This means that residential customers using under 387 Mcf annually have the same cost as all other residential customers. EDG has almost no residential customers this large. Thus, all residential customers are fully served by the minimum system and thus have the same delivery service costs.

Q. WHAT IMPLICATIONS RESULT FROM SCALE ECONOMIES AND THE EDG DATA RELATED TO COST OF SERVICE AND RATE DESIGN?

A. The implication of these conclusions for both cost allocation (either marginal or embedded) and rate design on the gas system are quite important. Namely, the recovery of distribution costs through volumetric charges creates intraclass subsidies from larger customers to smaller customers and those subsidies may be quite large. Further, the failure to recover fixed costs in fixed charges results in inefficient price signals and causes customers to bear the consequences of the inefficiency. Finally, the cost to serve residential customers (excluding gas costs) is the same regardless of the size of customer since the minimum system installed by the Company will serve nearly every residential customer.

Q. WHAT FACTORS CAUSE THE LDC TO INCUR DISTRIBUTION COSTS?

A. Both marginal and embedded costs for the distribution system are determined by two major factors: (1) the number and location of customers and (2) their demands (albeit for gas distribution the impact of demand becomes less important when pipe scale economies for residential and small commercial customers cause the minimum installation to also serve design day demand.) Utility cost studies, both marginal and embedded, have traditionally attempted to identify a portion of distribution costs as customer-related and the remaining portion as demand-related. While it is true that marginal demand costs play a role in the installed facilities, the customer considerations play a much larger role since local facilities and policies reflect the underlying customer mix and density. The critical issue for a gas system is that the system provides sufficient capacity to meet the design day load requirements of customers. For residential and the smallest general service customers, the smallest distribution pipe installed on the system will serve the design day capacity of these customers. As a result, the cost to serve the individual customers in these classes is the same regardless of the design day demand.

Section 3- Results of the Cost Study

Q. PLEASE DISCUSS THE APPLICATION OF THE THREE STEPS IN THE COST OF SERVICE STUDY.

A. Cost are functionalized and classified in the study based on data from the Uniform System of Accounts (USOA). The cost study uses two types of allocation factors: external factors and internal factors. *External* allocation factors are based on direct knowledge from data in the utility's accounting and other records. For example, transmission costs are functionalized to transmission FERC accounts and are assigned by an external transmission allocation factor. Another example of an external allocation factor is allocation of distribution mains. The cost of distribution mains are known and assigned directly to the distribution function. Once assigned to distribution, mains are allocated using the minimum system as the external allocation factor. *Internal* allocation factors are based on some combination of external allocation factors, previously directly assigned costs and other internal allocation factors. For example, the allocation factors for property insurance costs are based on plant investment amounts assigned to each function; it is necessary to compute the amount of plant by function before property insurance costs can be assigned. Both external and internal allocation factors are used in each of the functional, and classification steps outlined below.

Q. PLEASE DESCRIBE THE RESULTS OF THE ALLOCATION PROCESS AS APPLIED TO THE USOA.

A. The follow section outlines by FERC account the allocation of costs to each function and classification.

A. Intangible Plant (FERC Accounts 301-303)

Intangible plant is functionalized and classified based on plant or labor.

B. Production Plant - None

C. Natural Gas Storage Plant and Expenses -None

D. Transmission Plant and Expenses

1. Plant

Transmission Plant (FERC Accounts 365-371) represents measuring and regulating equipment and other associated equipment used to track volumes and heat content of gas entering the distribution system. The cost of this equipment is functionalized to Transmission, and classified to Demand.

2. Expense

Transmission Operation & Maintenance (FERC Accounts 850-865) are functionalized, and classified based on FERC Accounts 365-371.

E. Distribution Plant and Expenses

1. Distribution Plant (FERC Accounts 374-385)

a. Mains (FERC Account 376)

Mains are functionalized to Distribution, and then classified as either Distribution Customer or Distribution Demand. The customer component percentage was determined by taking the ratio of the cost of replacing the present distribution system verse replacing the total system with only the minimum size main. The minimum size main was determined to be 2" main.

As a result of employing the minimum-size concept, 77% of the distribution mains were classified as customer related and 23% distribution demand related.

b. Services (FERC Account 380)

Services are functionalized to Distribution, and then classified to Distribution Customer.

c. Meters (FERC Account 381)

Meter-Plant is functionalized to Distribution, and then classified to Distribution Customer.

d. Measuring and Regulating Station Equipment (FERC Account 378)

Measuring and regulating equipment is functionalized to Distribution, and classified to Demand.

e. Structures and Improvements (FERC Account 375)

Structures and Improvements are functionalized to Distribution, and classified to Demand.

f. Land and Land Rights (FERC Accounts 374)

Land and Land rights are functionalized to Distribution, and classified to Demand

2. Distribution Expenses (FERC Accounts 870-895)

a. Operation of Mains/Services (FERC Account 874)

Operating Expense for mains and services are functionalized and classified proportionally based on Accounts 376 and 380.

b. Measuring and Regulating Operation Expenses (FERC Account 875)

Measuring and Regulating operating expenses are functionalized to Distribution, and classified to Demand.

c. Meter and House Regulator Operation Expenses (FERC Account 878)

Meter and House Regulator Expenses are functionalized and classified based on FERC Account 381.

d. Customer Installation Expenses (FERC Account 879)

Customer Installation Expenses are functionalized to Distribution, classified to Customer.

e. Distribution Rents (FERC Account 881)

Rents are functionalized and classified based on other distribution accounts.

f. Maintenance of Mains (FERC Account 887)

Maintenance of mains is functionalized and classified based on FERC Account 376.

g. Maintenance of Services (FERC Account 892)

Maintenance of Services is functionalized and classified based on FERC Account 380.

h. Meters and House Regulators – Maintenance (FERC Account 893)

Maintenance of Meters and House Regulators is functionalized and classified based on FERC Account 381.

i. Measuring and Regulating Maintenance Expenses (FERC Accounts 889 to 890)

Measuring and Regulating maintenance expense is functionalized to Distribution, and classified to Demand.

j. Maintenance of Structures (FERC Account 886)

Maintenance of Structures is functionalized and classified based on FERC Account 375.

F. General Plant (FERC Accounts 390-398)

General Plant accounts are functionalized and classified based on labor.

G. Depreciation Reserve (FERC Account 108-111)

Depreciation Reserve accounts are functionalized and classified based on their corresponding gross plant values.

H. Other Rate Base Items

These various accounts are functionalized and classified based on labor or plant.

I. Customer Accounts Expenses

1. Meter Reading Expense (FERC Accounts 902)

Meter Reading Expense is functionalized and classified to Customer.

2. Customer Records & Collection Expense (FERC Accounts 903)

Customer Records & Collection Expense are functionalized and classified to customer.

3. Uncollectible Account Expenses (FERC Account 904)

Uncollectible Accounts Expense is functionalized and classified based on Customers

J. Customer Service & Information Expenses

1. Call Center (FERC Account 908)

Call Center Expenses are functionalized and classified to Customer.

2. Inform. & Instruct Advertising (FERC Account 909)

Information & Instructional Advertising Expenses are functionalized and classified to Customer.

K. Administrative and General Expenses (Accounts 920-939)

Administrative and General Expenses are identified in two groups: labor related, and plant related. Labor related expenses are functionalized and classified according to labor in each function. Plant related expenses are functionalized and classified according to plant in each function.

L. Depreciation and Amortization (FERC Accounts 403-407)

Depreciation and Amortization Expenses are functionalized and classified the same as the allocation of Accumulated Depreciation and Amortization.

M. General Tax, Payroll and Real Estate Tax

Payroll taxes were functionalized and classified based on labor. Real Estate Taxes were functionalized and classified based on Plant.

N. Revenue Taxes

Revenue Taxes were functionalized, and classified based on revenue.

O. Income Taxes

Income Taxes were functionalized and classified based on revenue.

P. Revenue and Other Revenue

Revenues were functionalized and classified based on revenue requirements and allocated based on actual revenues collected from each class in the Test Period.

Q. PLEASE SUMMARIZE THE RESULTS OF THE COST OF SERVICE STUDY.

A. The cost study results are summarized in the following table:

Table 2

THE EDG DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Rate Class	Actual Return
N&S- Res-RS	-0.4%
NW- Res-RS	-1.2%
N&S- Sm Comm-SCF	23.5%
NW- Sm Comm-SCF	18.8%
N&S- Sm Vol Firm-SVF	37.1%
NW- Sm Vol Firm-SVF	35.4%
N&S- Lg Vol Firm-LVF	12.0%
NW- Lg Vol Firm-LVF	11.3%
N&S- Lg Vol Int-LVI	92.2%
NW- Lg Vol Int-LVI	0.0%
N&S- Tran Sm Vol-SVTS	44.4%
NW- Tran Sm Vol-SVTS	41.1%
N&S- Tran Lg Vol-LVTS	8.9%
NW- Tran Lg Vol-LVTS	17.4%

As the table illustrates, residential returns are currently below the system average return. Most of the other classes of service have higher returns. Returns on the NW system are below the returns for the N&S systems with the exception of rates for large volume customers. As a result, it is appropriate to allocate a larger portion of the rate increase to residential customers and minimize the increases to other classes.

Q. PLEASE DESCRIBE THE COST OF SERVICE SCHEDULES ATTACHED TO THE TESTIMONY.

A. There are five schedules attached to the testimony that provide the results of the cost of service study. Schedule HEO-1 consists of 18 pages and represents the results of the class cost of service study for the test year ended December 31, 2008. Each page contains an account description or label for those items not part of the uniform system of accounts. Where the item is part of the uniform system of accounts, the account number is provided. The total dollars for each account is

also provided. The remainder of the page shows the proportion of each account allocated to each rate schedule. Pages 13 and 14 provide the net income and earned return for each rate schedule. Pages 17 and 18 provide the revenue requirement for each rate schedule. Schedule HEO-2 consists of seven pages and provides the summary of account functionalization. Schedule HEO-3 consists of six pages and summarizes the classification of the distribution function accounts. Schedule HEO-4 consists of 126 pages and provides the allocation of each account by classification and by rate schedule. Finally, Schedule HEO-5 consists of 10 pages and provides a summary of the allocation factors by account and function.

Section 4- Principles of Rate Design

Q. PLEASE IDENTIFY THE PRINCIPLES OF RATE DESIGN YOU HAVE RELIED ON TO RECOMMEND THE RATE ALTERNATIVE PROPOSED BELOW TO RESOLVE THE ISSUE OF FIXED COST RECOVERY.

A. A number of rate design principles or objectives find broad acceptance in regulatory and policy literature. These include:

1. Efficiency;
2. Cost of Service;
3. Value of Service;
4. Stability;
5. Non-Discrimination;
6. Administrative Simplicity; and
7. Balanced Budget.

These rate design principles draw heavily on the "Attributes of a Sound Rate Structure" developed by James Bonbright in Principles of Public Utility Rates. Each of these principles plays an important role in analyzing the proposals

developed in my testimony. To understand the role these principles play, the following discusses each of the principles.

Q. PLEASE DISCUSS THE PRINCIPLE OF EFFICIENCY.

A. The principle of efficiency broadly incorporates both economic and technical efficiency. As such, this principle has both a pricing dimension and an engineering dimension. Economically efficient pricing promotes good decision-making by gas producers and consumers, fosters efficient expansion of delivery capacity, results in efficient capital investment in customer facilities and facilitates the efficient use of existing pipeline, storage and distribution resources. The efficiency principle benefits stakeholders by creating outcomes for regulation consistent with the long-run benefits of competition while permitting the economies of scale consistent with the best cost of service. Technical efficiency means that the development of the system is designed and constructed to meet the design day requirements of customers using the most economic equipment and technology consistent with design standards.

Q. PLEASE DISCUSS THE COST OF SERVICE AND VALUE OF SERVICE PRINCIPLES.

A. These principles each relate to designing rates that recover the total revenue requirement without causing inefficient choices by consumers. The cost of service principle contrasts with the value of service principle when certain transactions do not occur at price levels determined by embedded cost of service. In essence, the value of service acts as a ceiling on prices. Where prices are set at levels higher than the value of service, consumers will not purchase the service.

The calculation of a "true" cost of service is complicated by the fact that for network industries like the natural gas distribution industry, the provision of public utility service often involves joint and common costs which must be allocated (rather than directly assigned) to specific customer classes or rate schedules to develop a full cost of service study. While a good fully distributed cost of service analysis can be performed using principles of cost causation, informed judgment is nonetheless required to perform such a study. A fully

distributed cost of service study, properly reflecting cost causation principles and employing sound methods, provides a reasonable tool for the allocation of the total revenue requirement to customer classes (interclass distribution) and within the customer classes (intraclass distribution).

Q. PLEASE DISCUSS THE PRINCIPLE OF STABILITY.

A. The principle of stability typically applies to customer rates. This principle suggests that reasonably stable and predictable prices are important objectives of a proper rate design.

Q. PLEASE DISCUSS THE CONCEPT OF NON-DISCRIMINATION.

A. The concept of non-discrimination requires prices designed to promote fairness and avoid undue discrimination. Fairness requires no undue subsidization either between customers in the same class or across different classes of customers.

This principle recognizes that the ratemaking process requires discrimination where there are factors at work that cause the discrimination to be useful in accomplishing other objectives. For example, things like the location, type of meter and service, demand characteristics, size, and a variety of other considerations are often recognized in the design of utility rates to properly distribute the total cost of service to and within customer classes.

Q. PLEASE DISCUSS THE PRINCIPLE OF ADMINISTRATIVE SIMPLICITY.

A. The principle of administrative simplicity as it relates to rate design requires prices reasonably simple to administer and understand. This concept includes price transparency within the constraints of the ratemaking process. Prices are transparent when customers are able to reasonably calculate and predict bill levels and interpret details about the charges resulting from the application of the tariff.

Q. PLEASE DISCUSS THE PRINCIPLE OF THE BALANCED BUDGET.

A. Finally, there is the critical principle that rate design permits the utility a reasonable opportunity to recover the allowed revenue requirement based on the cost of service. Proper design of utility rates is a necessary condition to enable an effective opportunity to recover the cost of providing service included in the

revenue authorized by the regulatory authority. This principle is very similar to the stability objective that I previously discussed from the perspective of customer rates.

Q. AT TIMES, CAN THE OBJECTIVES EMBEDDED IN THESE PRINCIPLES COMPETE WITH EACH OTHER?

A. Yes, like most principles that have broad application, these principles can compete with each other. This competition or tension requires further judgment to strike the right balance between the principles. Detailed evaluation of rate design alternatives and rate design recommendations must recognize the potential and actual competition between these principles. Indeed, Bonbright discusses this tension in detail. Rate design recommendations must deal effectively with such tension. For example, as noted above, there are tensions between cost and value of service principles.

Q. PLEASE DESCRIBE THE CONFLICT BETWEEN MARGINAL COST PRICE SIGNALS AND THE RECOVERY OF THE REVENUE REQUIREMENT.

A. The conflict between good price signals based on marginal cost and a balanced budget or revenue recovery principle arises because marginal cost is below average cost due to economies of scale. Where fixed delivery service costs do not vary with volume of gas sales, marginal costs for delivery equal zero. Marginal customer costs equal the additional cost of providing the entire delivery service to the customer. Marginal cost tends to be either above or below average cost in both the short run and the long run. This means that marginal cost-based pricing will produce either too much or too little revenue to support the revenue requirement. This suggests that efficient price signals may require a multi-part tariff designed to meet the revenue requirements while sending marginal cost price signals related to consumption decisions. Properly designed, a multi-part tariff may include elements such as access charges, facilities charges, demand charges, consumption charges and the potential for revenue credits. In the case of a gas LDC, for residential and small commercial customers the combination of scale economies and class homogeneity permits the use of a single fixed annual

charge that meets all of the requirements for an efficient rate and recovers the embedded cost revenue requirement. For larger customers, a combination of these elements permit good price signals and revenue recovery; however, the tariff design becomes more difficult to structure and likely will no longer meet the requirements of simplicity. Therefore, sacrificing some economic efficiency for a customer class in order to maintain simplicity represents a reasonable compromise. For larger customers the added complexity of a demand charge is not a concern. Further, for the largest customers, the cost of metering is customer specific and each customer creates its own unique requirements for distribution service based on factors such as distance from the city gate, pressure requirements and contract demand.

Q. ARE THERE OTHER POTENTIAL CONFLICTS?

A. Yes. There are potential conflicts between simplicity and non-discrimination and between value of service and non-discrimination. Other potential conflicts arise where companies face unique circumstances that must be considered as part of the rate design process.

Q. HOW ARE THESE PRINCIPLES TRANSLATED INTO THE DESIGN OF RETAIL GAS RATES?

A. The process of developing rates within the context of these principles and conflicts requires a detailed understanding of all the factors that impact rate design. These factors include:

1. System cost characteristics such as the embedded customer, demand and commodity related costs by type of service;
2. Customer load characteristics such as peak demand, load factor, seasonality of loads, and quality of service;
3. Market considerations such as elasticity of demand, competitive fuel prices, end-use load characteristics and bypass alternatives; and
4. Other considerations such as the value of service ceiling/marginal cost floor, unique customer requirements, areas of under-utilized

facilities, opportunities to offer new services and the status of competitive market development.

In addition, the development of rates must consider existing rates and the customer impact of modifications to the rates.

In each case, a rate design seeks to recover the authorized level of revenue based on the actual billing determinants occurring during the test period used to develop the rates.

Section 5- Issues with Current Volumetric Rates

Q. PLEASE GENERALLY DESCRIBE THE CURRENT EDG GAS RATES.

A. EDG's current residential service base rates consist of a customer charge and a flat volumetric charge for distribution. Both the customer charge and the volumetric charge differ for the North and South portions of the system when compared to the NW portion of the system. The volumetric charge is a per Ccf charge. The small general service base rates consist of a customer charge and a volumetric charge. For both residential and small general service customers the rate also includes a volumetric Purchased Gas Adjustment (PGA) charge and a Tax and License Rider charge in addition to the applicable base rate charges. The PGA charge differs by each system- North, South and NW based on the costs associated with the interstate pipelines that serve each segment of the system.

The customer charge and volumetric charge, referred to as base rate charges, recover the delivery service costs, including the costs that are incurred as a function of the number of customers and the design day demand that is placed on EDG's distribution system. Base rate costs represent the costs incurred to provide distribution service since the PGA is designed to recover the delivered cost of natural gas supply plus applicable storage service costs.

The PGA charge recovers the delivered cost of obtaining a natural gas supply required to meet the needs of customers. Various other specific purpose adjustment charges or riders apply in accordance with their respective applicability language.

From a total annual bill perspective, the revenue that EDG collects volumetrically through the PGA is substantially greater than the revenue that is collected to cover the costs incurred to provide base rate service. For example and based on the test year data presented by EDG, the annual PGA revenue is about 70 percent of the total annual bill for a typical residential customer. My recommended SFV rate design better informs the customer about efficient conservation choices by letting the customer know that the cost of base rate service is not avoided by a reduction in annual usage volumes.

Q. ARE RATE DESIGN CHANGES REQUIRED TO PROMOTE ECONOMIC EFFICIENCY?

A. Yes. The current volumetric rate design is unreasonable in my opinion because it does a poor job of aligning the revenue recovered by EDG for providing service with the costs incurred to provide base rate service. As a result of this poor alignment, the current rate design works against the goal of ensuring that EDG is provided a reasonable opportunity to recover its costs including a return of and on the capital that has been invested in the property, plant and equipment that is used and useful in providing natural gas distribution service.

Once revenues are authorized as part of the ratemaking process and recovery is attempted through a volumetric rate design, the volumetric rate design will almost certainly produce too much or too little revenue to match the fixed costs of providing natural gas distribution service. In current circumstances, I believe that preserving volumetric rate design for distribution service simply because it has been used historically will work against fundamental regulatory principles and,

when compared to SFV, does a poor job of balancing the interests of customers and EDG's shareholders.

Failure to provide a rate design by which a reasonable opportunity for cost recovery is realized also causes inefficiencies relative to the removal of disincentives for conservation, long-term capital investment and efficient access to capital markets.

As explained in more detail below, changing EDG's rate design is critical to the long-term provision of efficient, reliable and cost-effective delivery service. To understand more fully the problems created by a volumetric rate design for base rate service, it is important to understand certain basic utility cost concepts.

Q. PLEASE DESCRIBE THE NATURE OF DELIVERY SERVICE COSTS RECOVERED IN DISTRIBUTION RATES.

A. LDC delivery service costs are fixed costs and do not vary with throughput. An LDC designs and installs a distribution system capable of meeting its customers' design day requirements at the time of initial installation. These facilities include the city gate, mains and pressure regulating facilities, services, meters and regulators all designed to meet the design day requirements of customers at the time of the installation. Placing these facilities in service permits the LDC to serve the changes in load due to extreme weather (the design day peak load) or economic conditions. Once facilities serve customers, the costs associated with these facilities are by their nature fixed and do not vary as a function of the volume of gas consumed by customers.

Q. PLEASE DESCRIBE THE PROBLEMS ASSOCIATED WITH THE REASONABLE OPPORTUNITY TO RECOVER THESE FIXED DELIVERY SERVICE COSTS THROUGH CURRENT RATES WITH A VOLUMETRIC RATE COMPONENT.

A. Essentially, the problems fall into two broad categories and a third related category. First, problems relate to economically efficient price signals. Second, problems relate to the failure to provide a reasonable opportunity to collect the

authorized level of revenue. Third, the problems that fall in the first two categories of problems are made worse in the context of other policy objectives that promote cost-effective energy conservation to address resource constraints, obtain more efficient use of capital and to help manage price level and volatility risks.

Q. PLEASE DESCRIBE THE FAILURE TO PROVIDE ECONOMICALLY EFFICIENT PRICE SIGNALS.

A. When fixed costs are recovered volumetrically, customers who conserve save costs that the Company does not save. As noted above, this causes more frequent rate cases and from an economic perspective wastes resources. An economically efficient price signal matches the reduction in cost for the company with the reduction in cost for the consumer. In the case of EDG, the cost reduction from conservation is lower PGA related costs. Any customer savings in excess of the cost of gas overstates the value of conservation and results in both excess investments by the customer and cross subsidies among customers.

Q. PLEASE DESCRIBE THE FAILURE TO PROVIDE A REASONABLE OPPORTUNITY TO COLLECT THE AUTHORIZED LEVEL OF REVENUE.

A. A fundamental tenet of rate regulation provides that rates create an opportunity for the utility to earn the allowed return. This regulatory principle has its foundations in a Missouri case before the U. S. Supreme Court where Justice Brandeis concluded that a utility is permitted an *opportunity to earn the cost of service* including a return of and on the assets devoted to public service.[4] (Emphasis added). This regulatory principle is well accepted and has a long history of application.

The allowed return along with operating and maintenance expenses (excluding the gas costs), depreciation expenses and taxes for a test year constitutes the revenue requirements for delivery service. For gas delivery service, none of these costs

[4] Missouri *ex rel.* Southwestern Bell Tel. Co. v. Public Service Commission, 262 U. S. 276, 290-291 (1923).

varies with the volume of gas consumed by customers. This fact is recognized by regulatory bodies because they do not weather normalize any of these costs as would be appropriate if the costs varied with the volume of gas consumed.

The recovery of revenues occurs in a prospective period, the first year referred to as the Rate Effective Period. The dollars that are actually available for the earned return in the Rate Effective Period equal revenue minus all of the costs incurred in that same year, not the level of costs included in the test year and used for ratemaking purposes to establish the revenue requirement. Thus, if rates do not provide a reasonable opportunity of producing the allowed revenue because of changing use patterns, even though costs equal test year costs, the opportunity to earn the allowed return disappears.

Even if the annual revenue obtained in the Rate Effective Period coincidently matches the authorized revenue, a volumetric rate design still poorly aligns the flow of revenue a natural gas distribution company receives with the way that costs are incurred to provide its public utility service. Looking at this from a customer's perspective, the volumetric rate design tends to also swing monthly base rate bills up or down without regard to the fixed nature of the costs that are being incurred to provide base rate service. Thus, a volumetric base rate falsely suggests that a customer that reduces consumption will somehow produce a corresponding effect on the costs of providing base rate delivery service.

The fundamental point is that sales volume variation from the level assumed for the test year and ratemaking purposes results in revenue and an actual earned return variation, either higher or lower than the amount specified for ratemaking purposes. Actual earned return over time does not equal the allowed return even though earnings vary from year to year under a variety of circumstances including declining use per customer, conservation, price elasticity responses, asymmetric costs and other relevant factors. Nevertheless, volumetric recovery of fixed costs

fails to provide a reasonable basis for cost recovery as well as a reasonable opportunity to earn the allowed return.

Section 6- Alternatives to Volumetric Rates

Q. PLEASE DESCRIBE POTENTIAL SOLUTIONS TO THE PROBLEMS ASSOCIATED WITH THE CURRENT VOLUMETRIC RATE DESIGN.

A. Potential solutions cover a range of possible alternatives. For example, rate decoupling represents a commonly discussed alternative to resolving the issue of rate design and revenue recovery. The term "rate decoupling" describes a family of tools that include partial decoupling mechanisms such as weather normalization clauses to more complex full decoupling clauses that permit revenue true-up. Yet another alternative permits the utility to adjust rates for over or under-recovery of authorized return.

In fact, the alternative selected for addressing revenue recovery issues may include several different tools. For example, Northwest Natural (NWN) Gas uses a combination of adjustments to provide for various elements of decoupling, including a weather normalization adjustment mechanism and a distribution margin adjustment.

But, as I describe below, SFV rate design represents the best alternative to solve the problems of volumetric rate design.

Q. DO ALL ALTERNATIVE STRATEGIES PROVIDE THE SAME SOLUTION TO THE ISSUES OF FIXED COST RECOVERY?

A. No. For example, a normal weather adjustment clause as a mechanism for improving fixed cost recovery protects against abnormal weather but does not address declining use per customer. As such, this alternative represents only a partial decoupling method in that the adjustment does not resolve the problem of fixed cost recovery in the face of declining average use per customer (or the risk

resulting from higher costs associated with colder than normal weather). Thus, the solution requires more than weather normalization.

Q. HAVE OTHER GAS COMPANIES AND REGULATORY AUTHORITIES INTRODUCED ALTERNATIVES THAT PROVIDE A REASONABLE OPPORTUNITY TO RECOVER FIXED COSTS?

A. Yes. Gas distribution companies and regulatory authorities use various methods to provide a reasonable opportunity to recover fixed costs. Examples range from the combination of a real-time normal weather adjustment plus a Rate Stabilization and Equalization (RSE) for Alabama Gas Company to the SFV rate design of Atlanta Gas Light Company and combinations in between.

Other gas utility proposals designed to better align fixed cost recovery with the revenue produced by rate levels and rate design cover a variety of options such as weather normalization plus decoupling. Some methods use deferral accounts and recover shortfalls in revenues or earnings in a future period. For example, the Northwest Natural distribution margin adjustment includes a deferred component for recovery in the next year and the Baltimore Gas and Electric mechanism adjusts with a one-month lag time. In each case, the provision improves the probability of achieving the expected test year revenue.

Q. SHOULD ONE ASSUME THAT ALL THE AVAILABLE ALTERNATIVES TO VOLUMETRIC RATES PRODUCE THE SAME RESULTS?

A. No. Many of the alternatives continue to send volumetric price signals even though they solve the revenue recovery issue. Since the volumetric price signal causes rates to exceed marginal cost, the solution to issues with volumetric rates remains inefficient. As will be discussed below, SFV rates offer a superior option to volumetric rates when compared to other alternatives.

Section 7- The SFV Rate Design Proposal

Q. HOW DOES EDG PROPOSE TO IMPLEMENT SFV RATES FOR DISTRIBUTION SERVICE?

A. EDG proposes to have a single Delivery Service Charge for all residential customers. The delivery service charge recovers the base revenue requirements for residential service. In addition, residential customers will continue to be subject to the PGA that recovers the variable cost of gas commodity including delivery to the city gate. For the smaller general service customers, EDG proposes to use graduated Delivery Service Charges to recognize the cost difference based on the local facilities used to serve commercial customers. The use of graduated delivery service charges reflects the more expensive cost of meters and service lines for customers as their size increases. In addition, the small general service rate also includes customers much larger than the residential customers. For these customers, and as an interim step, EDG proposes to maintain a commodity related charge that is about half of the existing commodity charge. For firm, large general service customers, the rate will consist of a customer charge, a demand charge and as an interim step a commodity charge that is less than half the existing charge as designed to recover base revenue requirements. Transportation customers will have the same delivery service rates but will not be subject to the PGA charge.

Q. DOES THE PROPOSED RATE DESIGN BALANCE THE PRINCIPLES DICSUSSED ABOVE?

A. Yes, EDG will recover nearly all fixed costs through fixed monthly charges. That is, the Delivery Service Charge for residential and the smallest general service customers will recover the allocated revenue requirement associated with: (a) gas delivery (transmission and distribution); (b) the costs associated with customer service; and (c) the common costs for administration and general services. All of these costs are fixed. For larger customers, the proposed customer and demand charges will recover a larger share of fixed costs than under current rates.

For residential customers, the relative homogeneity of the residential class permits the residential rate design to consist of an annual Delivery Service Charge,

payable in twelve equal monthly installments or in summer and winter installments that differ with summer charges being lower. The Company mentions both of these options because it may be better to vary the charge seasonally so that customers will continue to receive lower summer bills. In any event, the annual charge will be applicable for all customers.

Small general service customers also demonstrate relative homogeneity and the use of a graduated annual Delivery Service Charge payable in twelve monthly installments represents a reasonable rate design. During the transition, only the smallest customers will have a pure SFV rate design while larger customers in the class will be subject to the graduated customer charge and the reduced commodity charge. For larger general service customers, a continuation of a customer charge and a demand charge will track costs better since these classes are less homogeneous. Differences for larger customers include meter costs, service lines, mains, pressure regulation and other facilities. During the transition, the reduced commodity charge will continue to be used to recover revenue requirements.

Q. DOES THE SFV RATE PROVIDE BENEFITS TO BOTH THE CUSTOMERS AND THE COMPANY?

A. Yes. Customers benefit from the fixed rate simplicity. Customers understand that a single charge for delivery represents a common pricing method. Since this component of the bill does not change regardless of the weather, customers know the impact of additional gas use in cold weather represents the cost of the gas used. Customers benefit by knowing that a portion of their bill remains the same each month and that overall bills during the high cost winter months are lower as compared to bills under volumetric rates.

From an economic perspective, customers benefit from more efficient price signals and make more economically rational decisions related to conservation. Importantly, the elimination of volumetric rates for delivery service provides the most benefit to the customers least able to afford heat. The reason these customers benefit is that unlike volumetric rates, under SFV rates, customers'

distribution bills will not increase as usage increases. And those customers have higher usage than average customers because the relative inefficiency of their capital stock (i.e. heating equipment, wall and attic insulation, windows, etc) and the resulting higher marginal use associated with colder weather.

SFV represents a more direct and customer friendly option with added efficiency benefits. Benefits for EDG are largely related to the principles of stability and administrative simplicity. EDG benefits from the movement to SFV because it permits customers to better appreciate the relationship between base rate bills and annual consumption and this should, over time, reduce the potential customer confusion relative to their bills. It will also permit regulators and other stakeholders that interact with customers to educate customers about the structure of the industry, the nature and scope of state and federal regulatory authorities and the effect of decisions and rules issued by state and federal regulatory authorities. The Company benefits from more stable and predictable revenues. The Company also benefits from the improved price signals and the ability to develop economic line extension policies based on the SFV rate.

Q. DOES THE SFV RATE GUARANTEE EDG WILL EARN THE ALLOWED RATE OF RETURN?

A. No. SFV rates may stabilize revenue assuming that the customer counts used to develop the billing determinants accurately reflect the customers during the Rate Effective Period.[5] Revenues only reflect part of the equation determining the rate of return. The other part of the equation is the costs used to establish the revenue requirement. If costs during the Rate Effective Period differ materially from the costs actually incurred during the rate effective period then the earned return will differ materially from the allowed return. The value of SFV is to improve the opportunity to earn the allowed return as compared to volumetric rate designs.

[5] The Rate Effective Period is the first twelve months after the effective date of new rates. The test period is designed to be a forecast of the costs and revenues during the Rate Effective Period.

Section 8- Combining Service Areas

Q. PLEASE DESCRIBE THE DIFFERENCES BETWEEN RESIDENTIAL BASE RATES FOR THE SERVICE AREAS.

A. Currently, the EDG gas rates differ between the South and North system and the Northwest system. The following Table 3 illustrates the differences between the service areas for residential customers.

Table 3

Summary of Residential Rate Differences

Charges	North and South	NW	Differences
Customer Charge	$9.50	$7.00	$2.50
Energy Charge	$0.2737/Ccf	$0.2654/Ccf	$0.0083
500 Ccf Base Bill	$250.80	$216.70	$34.10
750 Ccf Base Bill	$319.28	$283.05	$36.23

Nearly all of the difference in the two residential rates results from the different customer charges ($30.00 per year). These rate differences are not justified on the basis of cost since the cost to serve residential customers is the same as discussed above. Thus it is appropriate to combine all customers in a single residential rate class.

Q. PLEASE DESCRIBE THE DIFFERENCES IN THE RESIDENTIAL PGA FACTORS FOR THE SERVICE AREAS.

A. The PGA factors vary between service areas as the following table illustrates.

Service Area	North System	South System	NW System
PGA	$0.76489	$0.79004	$0.73323

These differences result from different interstate pipeline transportation and storage costs for the gas as delivered to the various city gates. In addition the Actual Cost Adjustment (ACA) differs for each system. The Company proposes no change in the PGA applicable to each system.

Q. HOW SHOULD THESE CUSTOMERS BE COMBINED?

A. The process to combine customers is to determine the residential revenue requirement for the system, determine the number of annual customers and divide the customers into the revenue requirement to produce the annual fixed charge rate for residential schedules. For the other rate schedules the graduated Delivery Service charges and the combination of customer and demand charges are designed to produce the class revenue requirement.

Q. HOW SHOULD THE NUMBER OF ANNUAL CUSTOMERS BE DETERMINED?

A. The adoption of SFV rates creates certain price responses from customers who use little or no gas. These customers are likely to discontinue service as a result of the SFV rate. This would include vacant dwellings and customers who use gas for purposes other than heating and water heating. The proforma adjustment to billing data would exclude all accounts with zero annual use as well as customers who have winter use under ten Ccf per month. Usage under ten Ccf would indicate the absence of both space and water heating. By making this adjustment, the customer count will be more reflective of the customer accounts expected during the Rate Effective Period.

Q. WHAT IS THE IMPACT OF COMBINING THE TWO RATES ON CUSTOMERS?

A. As the following table illustrates, customers served under the North-South system rates will have lower increases than under the separate systems and customers in the NW system will have greater increases.

Table 4

Customer Impacts of Rate Consolidation

System	500 Ccf Current Rates	500 Ccf New Rates	% Change	750 Ccf Current Rates	750 Ccf New Rates	% Change
North	$800.45			$1143.76		
South	$797.47			$1139.28		
NW	$708.74			$1021.10		

Table 4 shows that for annual use of 500 and 750 Ccf the total bill difference is negligible for the North and South systems. As a result, the combination of those two systems has little overall impact on customers. For the NW system, the differences are larger. However, since the proposed combination applies only to the delivery service charge, the overall bill impact is relatively small.

Section 9- Transportation Issues

Q. PLEASE DESCRIBE THE PROPOSED CHANGES TO THE TRANSPORTATION PORTION OF THE TARIFF.

A. The changes to the transportation tariff include certain changes to definitions, terms of service and various requirements of the tariff. The changes are designed to protect system reliability, clarify provisions, to provide charges associated with certain ancillary services provided by the Company and to reflect best practices for such services.

Q, PLEASE DESCRIBE THE PROPOSED CHANGE TO CAPACITY ASSIGNMENT.

A. Currently, capacity assignment is non-recallable. Under the proposed change, capacity assignment is changed to be recallable under certain conditions that potentially have adverse impacts on system reliability. For example, if a customer or aggregator were to declare bankruptcy, there is the potential that gas would not flow to the system using this capacity. This would adversely impact the ability of

the system to meet design day requirements. As a result, the Company has the right to recall released capacity if there is a bankruptcy filing or other potentially adverse event.

Q. PLEASE DISCUSS THE COST OF SERVICE ASSOCIATED WITH IMBALANCES.

A. When the gas delivered to the system by a customer, aggregator or marketer is less than the gas used by the customer the Company meets this shortfall by withdrawing gas from storage. This occurs because the Company purchases and delivers gas for sales customers and expects transporters to match daily load with daily deliveries. Failure to match loads with deliveries requires the Company to use storage capacity to match not only sales demand but transportation demand as well. Since both injection and withdrawal have a direct cost (storage injection and withdrawal costs) customers, marketers and aggregators impose those costs on the Company and those costs should be paid by the party imposing costs. In addition to the direct costs, there is an indirect cost of holding space in storage. That indirect cost is a portion of the fixed costs associated with storage service. All storage costs currently pass through the Purchased Gas Adjustment (PGA) clause and are paid by sales customers. By adding ancillary service charges to the transportation service provisions, the customers imposing these costs will pay for both the direct cost and make a contribution to fixed costs based on the level of the charge. Revenues from the ancillary services charges will be a credit to gas costs for the benefit of sales customers who otherwise pay these costs.

Q. DOES THE TARIFF PROVIDE THE OPTION FOR TRANSPORTATION CUSTOMERS TO RETURN TO SALES SERVICE?

A. Yes. The Company currently permits transportation customers to return to sales service.

Q. DOES THIS PROVISION CREATE POTENTIAL ADVERSE IMPACTS ON OTHER SALES CUSTOMERS?

A. Yes, depending upon the timing of the return to sales service. Unlike the current small volume transportation tariff, the current large volume transportation tariff does not restrict the timing of a large customer's return to sales service or election

of transportation service. If this return to sales service were to take place at the very beginning of the winter heating season, it could adversely impact the Company's gas supply planning for the upcoming winter. To avoid this situation, the Company is proposing that a large customer's return to sales service can only take place on June 1st each year, and that a large transportation customer must elect to change to transportation service by May 1st each year.

Q. DOES THE COMPANY PROPOSE TO CHANGE THE DELIVERY TOLERANCES DURING OPERATIONAL FLOW ORDERS?

A. Yes. Operational flow orders ("OFO") represent a time when the system is stressed. During such times, having transportation customers match supply and demand as closely as possible is critical to the reliable operation of the system. As a result, the Company proposes a much tighter tolerance on matching receipts and deliveries before incurring penalties. Failure to match receipts and deliveries has potential for loss of pressure on the system resulting in outages. Thus the tighter standards and penalties for failure provide signals that OFO requires more effort on the part of transportation customers, aggregators and marketers.

Q. DOES THE COMPANY HAVE A PROPOSAL REGARDING TELEMETRY FOR SMALL VOLUME CUSTOMERS?

A. Yes. The Company proposes to allow customers, aggregators and marketers to have telemetry installed at the customer's expense where such installation will reduce cash out impacts or provide other benefits for customers by providing better use data during the month. Under the proposed telemetry option for schools the school will pay a monthly rental fee for the metering installation based on actual costs of installation. The Company will own, operate and maintain the equipment.

Section 10- Summary

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. My testimony provides a detailed cost of service study reflecting cost causation, economies of scale and appropriate capacity cost allocation based on design day demand requirements. Since the system is planned and designed to meet these design day requirements the cost study reflects the factors causing system costs. My testimony supports the use of SFV rate design to reflect cost causation for delivery service to customers. The inclusion of a volumetric component in delivery rates does not represent sound rate design and should be eliminated as my testimony demonstrates. I also include recommended changes to the transportation tariff provisions designed to protect system reliability and to result in a more efficient set of price signals.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes.

AFFIDAVIT OF H. EDWIN OVERCAST

STATE OF GEORGIA)
) **ss**
COUNTY OF HENRY)

On the 3 day of June, 2009, before me appeared H. Edwin Overcast, to me personally known, who, being by me first duly sworn, states that he is Director of Black &Veatch and acknowledged that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

H. Edwin Overcast

H. Edwin Overcast

Subscribed and sworn to before me this 3 day of June, 2009

Notary Public

My commission expires: January 7, 2013

OFFICIAL SEAL
Notary Public, Georgia
Henry County
NATHAN BALLIEW
My Commission Expires January 7, 2013

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
			N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
I. GAS PLANT IN SERVICE								
Organization	301	284,572	168,762	23,856	22,745	3,764	9,548	1,309
Franchises & Consents	302	22,760	17,468	2,458	2,087	347	201	31
Subtotal - INTANGIBLE ASSETS	301-303	307,332	186,230	26,313	24,832	4,111	9,749	1,340
B. PRODUCTION PLANT								
Production Plant	304-338	0	0	0	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0	0	0	0	0	0	0
C. STORAGE PLANT								
Storage Plant	360-365	0	0	0	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0	0	0	0	0	0	0
D. TRANSMISSION PLANT	365-369	7,461,275	2,962,604	427,753	693,519	113,657	434,558	58,590
E. DISTRIBUTION PLANT								
Land and Land Rights	374	37,329	26,236	3,701	3,431	569	652	93
Structures and Improvements	375	98,669	69,347	9,782	9,070	1,504	1,723	245
Mains	376	40,882,215	24,080,687	3,387,864	2,877,179	478,198	1,326,331	178,525
Meas. & Reg. Stat. Equip. - General	378	636,217	252,619	36,474	59,136	9,691	37,054	4,996
Meas. & Reg. Stat. Equip. - City Gate	379	932,939	370,437	53,485	86,716	14,211	54,336	7,326
Services	380	23,733,563	18,217,001	2,562,914	2,176,581	361,756	209,765	31,998
Meters	381	5,233,634	3,541,221	498,207	423,108	70,322	244,659	37,321
House Regulators	383	3,111,493	2,727,734	383,759	0	0	0	0
Ind. Meas. & Reg. Station Equip.	385	583,501	231,687	33,452	54,236	8,888	33,984	4,582
Other Equipment	387	5,472	3,846	542	503	83	96	14
Subtotal - DISTRIBUTION PLANT	374-387	75,255,033	49,520,815	6,970,180	5,689,959	945,224	1,908,600	265,099
F. GENERAL PLANT								
Land and Land Rights	389	40,234	27,479	3,444	3,063	451	1,136	154
Structures and Improvements	390	1,269,203	866,848	108,653	96,626	14,239	35,845	4,872
Office Furniture and Equipment	391	374,488	255,770	32,059	28,510	4,201	10,576	1,438
Office Furniture and Equipment - C	391C	707,056	482,910	60,529	53,829	7,932	19,969	2,714
Transportation Equipment	392	1,213,917	829,089	103,920	92,417	13,618	34,284	4,660
Stores Equipment	393	29,019	19,819	2,484	2,209	326	820	111
Tools & Garage Equipment	394	761,155	519,858	65,160	57,948	8,539	21,497	2,922
Laboratory Equipment	395	98,267	67,115	8,412	7,481	1,102	2,775	377
Power Operated Equipment	396	425,081	290,325	36,390	32,362	4,769	12,005	1,632
Common Property	397	410,334	280,253	35,127	31,239	4,603	11,589	1,575

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation							
			N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
I. GAS PLANT IN SERVICE										
Organization	301	284,572	3,111	734	62	0	6,599	1,367	36,979	5,736
Franchises & Consents	302	22,760	15	2	2	0	104	18	23	4
Subtotal - INTANGIBLE ASSETS	301-303	307,332	3,126	736	64	0	6,702	1,386	37,002	5,740
B. PRODUCTION PLANT										
Production Plant	304-338	0	0	0	0	0	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0	0	0	0	0	0	0	0	0
C. STORAGE PLANT										
Storage Plant	360-365	0	0	0	0	0	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0	0	0	0	0	0	0	0	0
D. TRANSMISSION PLANT	365-369	7,461,275	157,252	37,446	0	0	311,732	65,597	1,903,943	294,624
E. DISTRIBUTION PLANT										
Land and Land Rights	374	37,329	157	35	3	0	413	82	1,694	263
Structures and Improvements	375	98,669	416	93	7	0	1,091	217	4,478	695
Mains	376	40,882,215	484,816	115,584	2,820	0	954,874	201,222	5,883,692	910,423
Meas. & Reg. Stat. Equip. - General	378	636,217	13,409	3,193	0	0	26,581	5,593	162,348	25,122
Meas. & Reg. Stat. Equip. - City Gate	379	932,939	19,662	4,682	0	0	38,978	8,202	238,064	36,839
Services	380	23,733,563	14,498	1,933	2,074	0	108,260	19,199	23,437	4,147
Meters	381	5,233,634	24,127	4,825	16,863	0	126,269	22,393	190,593	33,727
House Regulators	383	3,111,493	0	0	0	0	0	0	0	0
Ind. Meas. & Reg. Station Equip.	385	583,501	12,298	2,928	0	0	24,379	5,130	148,896	23,041
Other Equipment	387	5,472	23	5	0	0	61	12	248	39
Subtotal - DISTRIBUTION PLANT	374-387	75,255,033	569,405	133,280	21,767	0	1,280,905	262,050	6,653,450	#######
F. GENERAL PLANT										
Land and Land Rights	389	40,234	255	59	16	0	626	125	2,960	463
Structures and Improvements	390	1,269,203	8,054	1,875	516	0	19,746	3,954	93,381	14,594
Office Furniture and Equipment	391	374,488	2,376	553	152	0	5,826	1,167	27,553	4,306
Office Furniture and Equipment - C	391C	707,056	4,487	1,044	287	0	11,000	2,203	52,021	8,130
Transportation Equipment	392	1,213,917	7,703	1,793	493	0	18,886	3,782	89,313	13,958
Stores Equipment	393	29,019	184	43	12	0	451	90	2,135	334
Tools & Garage Equipment	394	761,155	4,830	1,124	309	0	11,842	2,371	56,001	8,752
Laboratory Equipment	395	98,267	624	145	40	0	1,529	306	7,230	1,130
Power Operated Equipment	396	425,081	2,697	628	173	0	6,613	1,324	31,275	4,888
Common Property	397	410,334	2,604	606	167	0	6,384	1,278	30,190	4,718

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
			N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
Miscellaneous Equipment	398	116,207	79,368	9,948	8,847	1,304	3,282	446
Subtotal - GENERAL PLANT	389-399	5,444,960	3,718,833	466,127	414,533	61,085	153,777	20,901
TOTAL UTILITY PLANT		88,468,600	56,388,483	7,890,373	6,822,843	1,124,076	2,506,684	345,931
II. DEPRECIATION RESERVE								
Intangible Plant	108	117,135	70,979	10,029	9,464	1,567	3,716	511
Production Plant	108	0	0	0	0	0	0	0
Local Storage Plant	108	0	0	0	0	0	0	0
Transmission Plant	108	5,179,243	2,056,491	296,925	481,406	78,895	301,648	40,671
Mains	109	15,056,283	8,868,542	1,247,698	1,059,620	176,113	488,467	65,748
Mains- Direct Assignment	109	0	0	0	0	0	0	0
Services	109	12,276,976	9,423,350	1,325,752	1,125,909	187,130	108,508	16,552
Meters	109	3,137,874	2,123,172	298,705	253,678	42,162	146,687	22,376
Distr Other	109	1,003,123	417,218	60,095	93,176	15,281	55,901	7,545
General Plant	109	2,862,349	1,954,945	245,037	217,915	32,111	80,839	10,987
TOTAL - DEPRECIATION RESERVE	108	39,632,982	24,914,698	3,484,240	3,241,168	533,260	1,185,766	164,390
III. OTHER RATE BASE ITEMS								
Gas Storage Inventory		6,572,717	3,756,613	548,500	888,575	150,465	602,171	89,952
Materials & Supplies - 13 Mo Avg		470,373	298,451	42,069	36,300	6,021	13,325	1,841
Customer Deposits		(994,045)	(762,910)	(107,332)	(91,153)	(15,150)	(8,785)	(1,340)
Customer Advances for Construction		(317,323)	(243,565)	(34,267)	(29,101)	(4,837)	(2,805)	(428)
Accum Defd Inc Taxes- Gas Inventory		0	0	0	0	0	0	0
Accum Defd Inc Taxes- Plant		(1,847,299)	(1,172,110)	(165,218)	(142,562)	(23,648)	(52,330)	(7,229)
Other Gas-related		0	0	0	0	0	0	0
Other Plant-related		2,527,130	1,603,462	226,020	195,027	32,351	71,588	9,889
Other labor-related		0	0	0	0	0	0	0
Total - OTHER RATE BASE ITEMS		6,411,553	3,479,941	509,773	857,085	145,203	623,164	92,685
IV. TOTAL RATE BASE (Excl. Working Ca		55,247,170	34,953,726	4,915,906	4,438,760	736,019	1,944,082	274,226
Working Capital	131	2,485,148	1,604,290	197,213	220,861	32,301	134,085	18,503
V. TOTAL RATE BASE		57,732,318	36,558,016	5,113,118	4,659,621	768,320	2,078,167	292,729
I. OPERATION & MAINTENANCE EXPEN								
A. PRODUCTION EXPENSES								
1. Manufactured Gas Production								
Operations Labor	701	0	0	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation: N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
51	Miscellaneous Equipment	398	116,207	737	172	47	0	1,808	362	8,550	1,336
52	Subtotal - GENERAL PLANT	389-399	5,444,960	34,553	8,043	2,212	0	84,713	16,964	400,609	62,610
53											
54	TOTAL UTILITY PLANT		88,468,600	764,336	179,506	24,044	0	1,684,053	345,997	8,995,005	########
55											
56	II. DEPRECIATION RESERVE										
57	Intangible Plant	108	117,135	1,191	281	24	0	2,554	528	14,103	2,188
58	Production Plant	108	0	0	0	0	0	0	0	0	0
59	Local Storage Plant	108	0	0	0	0	0	0	0	0	0
60	Transmission Plant	108	5,179,243	109,157	25,993	0	0	216,389	45,534	1,321,622	204,513
61	Mains	109	15,056,283	178,550	42,568	1,039	0	351,665	74,107	2,166,872	335,295
62	Mains- Direct Assignment	109	0	0	0	0	0	0	0	0	0
63	Services	109	12,276,976	7,499	1,000	1,073	0	56,001	9,931	12,124	2,145
64	Meters	109	3,137,874	14,465	2,893	10,111	0	75,706	13,426	114,272	20,221
65	Distr Other	109	1,003,123	20,099	4,783	5	0	40,010	8,412	242,996	37,603
66	General Plant	109	2,862,349	18,164	4,228	1,163	0	44,533	8,918	210,595	32,913
67	TOTAL - DEPRECIATION RESERVE	108	39,632,982	349,125	81,745	13,414	0	786,858	160,855	4,082,583	634,879
68											
69	III. OTHER RATE BASE ITEMS										
70	Gas Storage Inventory		6,572,717	237,181	52,255	247,004	0	0	0	0	0
71	Materials & Supplies - 13 Mo Avg		470,373	4,132	971	124	0	9,057	1,863	48,662	7,557
72	Customer Deposits		(994,045)	(670)	(89)	(89)	0	(4,534)	(804)	(1,010)	(179)
73	Customer Advances for Construction		(317,323)	(194)	(26)	(28)	0	(1,447)	(257)	(313)	(55)
74	Accum Defd Inc Taxes- Gas Inventory		0	0	0	0	0	0	0	0	0
75	Accum Defd Inc Taxes- Plant		(1,847,299)	(16,228)	(3,813)	(486)	0	(35,568)	(7,317)	(191,112)	(29,679)
76	Other Gas-related		0	0	0	0	0	0	0	0	0
77	Other Plant-related		2,527,130	22,201	5,216	665	0	48,658	10,010	261,444	40,601
78	Other labor-related		0	0	0	0	0	0	0	0	0
79	Total - OTHER RATE BASE ITEMS		6,411,553	246,422	54,514	247,190	0	16,165	3,495	117,671	18,245
80											
81	IV. TOTAL RATE BASE (Excl. Working Ca		55,247,170	661,632	152,274	257,820	0	913,360	188,637	5,030,092	780,636
82	Working Capital	131	2,485,148	47,914	10,026	46,898	0	28,927	5,672	118,977	19,480
83											
84	V. TOTAL RATE BASE		57,732,318	709,546	162,301	304,718	0	942,287	194,309	5,149,070	800,116
85											
86	I. OPERATION & MAINTENANCE EXPEN										
87	A. PRODUCTION EXPENSES										
88	1. Manufactured Gas Production										
89	Operations Labor	701	0	0	0	0	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
			N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
Operation Supv and Engineering	710	0	0	0	0	0	0	0
LNG Expense	717	0	0	0	0	0	0	0
Subtotal - O&M Accounts 701-716	710-716	0	0	0	0	0	0	0
Maint. of Structure & Improvements	741	0	0	0	0	0	0	0
Maint Production Equipment	742	0	0	0	0	0	0	0
Subtotal - O&M Accounts 717-742	717-742	0	0	0	0	0	0	0
Subtotal - Manufactured Gas Production	710-742	0	0	0	0	0	0	0
2. Other Gas Supply Expenses								
Natural Gas City Gate Purchases	804	0	0	0	0	0	0	0
Other Natural Gas Purchases	805	0	0	0	0	0	0	0
Natural Gas W/D from Storage- Gas Repoi	808	0	0	0	0	0	0	0
Gas Used for Other Util Operations	812	0	0	0	0	0	0	0
LNG Operating Expenses	813	18,343	10,060	1,405	2,304	374	1,870	263
Subtotal - PRODUCTION EXPENSES	710-813	18,343	10,060	1,405	2,304	374	1,870	263
B. NATURAL GAS STORAGE, TERMINAL								
Energy Trading & Accounting	844	77,687	42,606	5,950	9,759	1,586	7,921	1,114
Subtotal - NATURAL GAS STORAGE	840-850	77,687	42,606	5,950	9,759	1,586	7,921	1,114
C. TRANSMISSION EXPENSES	851-870	169,987	67,496	9,745	15,800	2,589	9,900	1,335
D. DISTRIBUTION EXPENSES								
Mains and Services Expenses	874	168,919	110,575	15,557	13,212	2,196	4,016	550
Perf Distrib Main Locates	874	274,398	161,635	22,740	19,312	3,210	8,902	1,198
Routine Leak Surv Mains & SVCS	874	72,227	47,280	6,652	5,649	939	1,717	235
Meas. & Reg. Station Expense General	875	110,946	44,052	6,360	10,312	1,690	6,462	871
Meas. & Reg. Station Expense Industrial	876	0	0	0	0	0	0	0
Meas. & Reg. Station Expense Stat-City G	877	28,156	11,180	1,614	2,617	429	1,640	221
Meter & House Regulator Expenses	878	229,717	155,433	21,867	18,571	3,087	10,739	1,638
Perf Connects/Discon/Recon-Gas	878	521,299	443,265	31,976	30,444	1,066	12,882	1,457
Customer Install	879	294,993	224,103	31,529	26,776	4,450	3,575	545
Other expenses	880	211,476	139,137	19,584	15,984	2,655	5,366	745
Co Used Gas O&M Offset	880	19,827	13,045	1,836	1,499	249	503	70
Distribution Rents	881	0	0	0	0	0	0	0
Maint. Supervision & Engineering	885	58,975	38,802	5,461	4,458	741	1,497	208
Maint. of Mains	887	450,109	265,126	37,300	31,677	5,265	14,603	1,966
PerfMaint3rdPartyDmg-UGDistGas	887	7,160	4,878	689	659	109	146	20
Dist Maint Compr Station Equip	888	133	53	8	12	2	8	1

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation								
				N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
90	Operation Supv and Engineering	710	0	0	0	0	0	0	0	0	0
91	LNG Expense	717	0	0	0	0	0	0	0	0	0
92	Subtotal - O&M Accounts 701-716	710-716	0	0	0	0	0	0	0	0	0
93	Maint. of Structure & Improvements	741	0	0	0	0	0	0	0	0	0
94	Maint Production Equipment	742	0	0	0	0	0	0	0	0	0
95	Subtotal - O&M Accounts 717-742	717-742	0	0	0	0	0	0	0	0	0
96	Subtotal - Manufactured Gas Production	710-742	0	0	0	0	0	0	0	0	0
97											
98	2. Other Gas Supply Expenses										
99	Natural Gas City Gate Purchases	804	0	0	0	0	0	0	0	0	0
100	Other Natural Gas Purchases	805	0	0	0	0	0	0	0	0	0
101	Natural Gas W/D from Storage- Gas Repoi	808	0	0	0	0	0	0	0	0	0
102	Gas Used for Other Util Operations	812	0	0	0	0	0	0	0	0	0
103	LNG Operating Expenses	813	18,343	842	177	1,048	0	0	0	0	0
104	Subtotal - PRODUCTION EXPENSES	710-813	18,343	842	177	1,048	0	0	0	0	0
105											
106	B. NATURAL GAS STORAGE, TERMINAL										
107	Energy Trading & Accounting	844	77,687	3,566	748	4,438	0	0	0	0	0
108	Subtotal - NATURAL GAS STORAGE	840-850	77,687	3,566	748	4,438	0	0	0	0	0
109											
110	C. TRANSMISSION EXPENSES	851-870	169,987	3,583	853	0	0	7,102	1,494	43,377	6,712
111											
112	D. DISTRIBUTION EXPENSES										
113	Mains and Services Expenses	874	168,919	1,305	307	13	0	2,779	576	15,442	2,391
114	Perf Distrib Main Locates	874	274,398	3,248	775	19	0	6,409	1,351	39,488	6,110
115	Routine Leak Surv Mains & SVCS	874	72,227	558	131	5	0	1,188	246	6,603	1,022
116	Meas. & Reg. Station Expense General	875	110,946	2,338	557	0	0	4,635	975	28,311	4,381
117	Meas. & Reg. Station Expense Industrial	876	0	0	0	0	0	0	0	0	0
118	Meas. & Reg. Station Expense Stat-City G	877	28,156	593	141	0	0	1,176	248	7,185	1,112
119	Meter & House Regulator Expenses	878	229,717	1,059	212	740	0	5,542	983	8,366	1,480
120	Perf Connects/Discon/Recon-Gas	878	521,299	0	0	0	0	209	0	0	0
121	Customer Install	879	294,993	282	45	106	0	1,845	327	1,196	212
122	Other expenses	880	211,476	1,602	375	61	0	3,602	737	18,717	2,910
123	Co Used Gas O&M Offset	880	19,827	150	35	6	0	338	69	1,755	273
124	Distribution Rents	881	0	0	0	0	0	0	0	0	0
125	Maint. Supervision & Engineering	885	58,975	447	105	17	0	1,004	206	5,220	811
126	Maint. of Mains	887	450,109	5,338	1,273	31	0	10,513	2,215	64,779	10,024
127	PerfMaint3rdPartyDmg-UGDistGas	887	7,160	39	9	0	0	95	19	430	67
128	Dist Maint Compr Station Equip	888	133	3	1	0	0	6	1	34	5

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
			N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
Maint Of Meas. & Reg. Station Expense G	889	66,419	26,372	3,808	6,174	1,012	3,868	522
Maint Of Meas. & Reg. Station Expense In	890	70,803	28,113	4,059	6,581	1,079	4,124	556
Maint Of Meas. & Reg. Station Expense St	891	4,809	1,909	276	447	73	280	38
Maint. of Services	892	134,957	103,588	14,574	12,377	2,057	1,193	182
Maint. of Meters & House Regulators	893	45,986	34,545	4,860	2,332	388	1,348	206
Maintenance of Other Equipment	894	189	124	18	14	2	5	1
Blank	XXX	0	0	0	0	0	0	0
Subtotal - DISTRIBUTION EXPENSES	870-894	2,771,495	1,853,216	230,767	209,106	30,698	82,872	11,230
Total - OPERATION & MAINTENANCE EX		3,037,512	1,973,379	247,867	236,969	35,248	102,563	13,942
II. CUSTOMER ACCOUNTS EXPENSES								
Customer Service - Administrative	901	73,353	57,332	7,716	5,698	939	538	82
Meter Reading Expenses	902	667,900	463,945	85,528	62,123	12,549	10,777	1,742
Customer Records & Collection Expense	903	915,988	715,930	96,351	71,153	11,719	6,723	1,020
Uncollectible Accounts	904	1,365,508	1,161,104	83,759	79,746	2,794	33,743	3,816
Write-Off- PIP	904P	0	0	0	0	0	0	0
Miscellaneous Customer Accounts Expens	905	51,806	40,491	5,449	4,024	663	380	58
Miscellaneous Customer Accounts Expens	905A	0	0	0	0	0	0	0
Total - CUSTOMER ACCOUNTS EXPENS		3,074,555	2,438,802	278,804	222,744	28,663	52,161	6,718
III. CUSTOMER SERVICE & INFORMATIC								
Operation Supervision	907	20,484	15,721	2,212	1,878	312	181	28
Customer Assist- Choice	908C	0	0	0	0	0	0	0
Customer Assist- Other	908	240,043	172,662	24,291	1,784	296	172	26
Advertising & Promotion	909	20,444	12,946	1,811	1,650	272	736	104
Other Customer Service & Informational E:	910	0	0	0	0	0	0	0
Operations sales Expense	911	13,870	8,783	1,228	1,119	185	499	70
Demonstration	912	16,439	10,410	1,456	1,327	219	592	83
Total - CUSTOMER SERVICE & INFORM/		311,281	220,522	30,998	7,758	1,284	2,180	311
Total - CUSTOMER ACCOUNTS, SERVIC		3,385,836	2,659,324	309,802	230,502	29,947	54,340	7,029
IV. ADMINISTRATIVE & GENERAL EXPE								
A. Labor-Related:								
Administrative & General Salaries	920	1,750,379	1,195,485	149,845	133,259	19,637	49,435	6,719
Office Supplies & Expenses	921	738,856	504,629	63,251	56,250	8,289	20,867	2,836
Transfer Expenses	922	0	0	0	0	0	0	0
Outside Services Employed	923	205,815	159,860	17,946	15,291	1,933	5,084	693

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation							
				N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
129	Maint Of Meas. & Reg. Station Expense G	889	66,419	1,400	333	0	0	2,775	584	16,948	2,623
130	Maint Of Meas. & Reg. Station Expense In	890	70,803	1,492	355	0	0	2,958	622	18,067	2,796
131	Maint Of Meas. & Reg. Station Expense St	891	4,809	101	24	0	0	201	42	1,227	190
132	Maint. of Services	892	134,957	82	11	12	0	616	109	133	24
133	Maint. of Meters & House Regulators	893	45,986	133	27	93	0	696	123	1,050	186
134	Maintenance of Other Equipment	894	189	1	0	0	0	3	1	17	3
135	Blank	XXX	0	0	0	0	0	0	0	0	0
136	Subtotal - DISTRIBUTION EXPENSES	870-894	2,771,495	20,173	4,716	1,103	0	46,591	9,435	234,969	36,618
137	Total - OPERATION & MAINTENANCE EX		3,037,512	28,163	6,494	6,589	0	53,693	10,930	278,346	43,330
138											
139	II. CUSTOMER ACCOUNTS EXPENSES										
140	Customer Service - Administrative	901	73,353	244	33	33	0	274	49	348	68
141	Meter Reading Expenses	902	667,900	892	198	216	0	11,029	1,956	14,398	2,548
142	Customer Records & Collection Expense	903	915,988	3,049	407	407	0	3,421	607	4,349	854
143	Uncollectible Accounts	904	1,365,508	0	0	0	0	547	0	0	0
144	Write-Off- PIP	904P	0	0	0	0	0	0	0	0	0
145	Miscellaneous Customer Accounts Expens	905	51,806	172	23	23	0	193	34	246	48
146	Miscellaneous Customer Accounts Expens	905A	0	0	0	0	0	0	0	0	0
147	Total - CUSTOMER ACCOUNTS EXPENS		3,074,555	4,358	660	678	0	15,464	2,645	19,341	3,518
148											
149	III. CUSTOMER SERVICE & INFORMATIC										
150	Operation Supervision	907	20,484	14	2	2	0	93	17	21	4
151	Customer Assist- Choice	908C	0	0	0	0	0	0	0	0	0
152	Customer Assist- Other	908	240,043	13,389	1,785	1,785	0	89	16	20,177	3,570
153	Advertising & Promotion	909	20,444	251	57	108	0	334	69	1,823	283
154	Other Customer Service & Informational E	910	0	0	0	0	0	0	0	0	0
155	Operations sales Expense	911	13,870	170	39	73	0	226	47	1,237	192
156	Demonstration	912	16,439	202	46	87	0	268	55	1,466	228
157	Total - CUSTOMER SERVICE & INFORM		311,281	14,027	1,930	2,055	0	1,011	203	24,724	4,278
158											
159	Total - CUSTOMER ACCOUNTS, SERVIC		3,385,836	18,385	2,589	2,733	0	16,475	2,848	44,065	7,796
160											
161	IV. ADMINISTRATIVE & GENERAL EXPE										
162											
163	A. Labor-Related:										
164	Administrative & General Salaries	920	1,750,379	11,108	2,586	711	0	27,233	5,453	128,783	20,127
165	Office Supplies & Expenses	921	738,856	4,689	1,091	300	0	11,495	2,302	54,361	8,496
166	Transfer Expenses	922	0	0	0	0	0	0	0	0	0
167	Outside Services Employed	923	205,815	275	53	160	0	1,696	294	2,149	380

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
				N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
168	Outside Services Employed	923	0	0	0	0	0	0	0
169	Injuries & Damages	925	260,141	177,673	22,270	19,805	2,918	7,347	999
170	Employee Pensions and Benefits	926	767,116	523,930	65,670	58,402	8,606	21,665	2,945
171	Subtotal - O&M Accounts 920-923, 926		3,722,307	2,561,576	318,983	283,007	41,383	104,398	14,191
172									
173	B. Plant-Related:								
174	Property Insurance	924	255	161	23	20	3	7	1
175	Subtotal - O&M Accounts 924		255	161	23	20	3	7	1
176									
177	C. Other-Related:								
178	Regulatory Commission Expenses	928	269,917	171,262	24,141	20,830	3,455	7,646	1,056
179	Duplicate Charges Credit	929	(18,875)	(11,976)	(1,688)	(1,457)	(242)	(535)	(74)
180	PUCO Assessments	408	0	0	0	0	0	0	0
181	Customer Interest Expense	431	61,449	47,161	6,635	5,635	937	543	83
182	Miscellaneous General	930	185,185	120,590	17,009	15,015	2,489	4,840	674
183	Rents	931	314,468	230,333	32,447	27,572	4,576	4,830	708
184	Misc. General Plant	935	114,011	76,473	10,771	7,389	1,226	3,472	498
185	Subtotal - O&M Accounts 928-935		926,155	633,843	89,314	74,985	12,442	20,797	2,945
186									
187	Total - ADMINISTRATIVE & GENERAL EX		4,648,717	3,195,581	408,320	358,012	53,828	125,202	17,137
188									
189	TOTAL - OPERATING EXPENSES (Excl I		11,072,065	7,828,284	965,989	825,483	119,023	282,106	38,108
190									
191	VI. DEPRECIATION EXPENSE								
192	Intangible Plant	403	26,866	16,280	2,300	2,171	359	852	117
193	Production Plant	403	0	0	0	0	0	0	0
194	Local Storage Plant	403	0	0	0	0	0	0	0
195	Transmission Plant	403	117,683	46,728	6,747	10,939	1,793	6,854	924
196	Mains	404	940,291	553,856	77,921	66,175	10,999	30,506	4,106
197	Mains- Direct	404	0	0	0	0	0	0	0
198	Services	404	683,527	524,650	73,812	62,686	10,419	6,041	922
199	Meters	404	230,211	155,767	21,915	18,611	3,093	10,762	1,642
200	Distr Other	404	47,111	19,594	2,822	4,376	718	2,625	354
201	General Plant	404	315,085	215,198	26,973	23,988	3,535	8,899	1,209
202	Rent from Gas Ppty / Other Rev	404	753,598	478,157	67,400	58,158	9,647	21,348	2,949
203	Adjustments		0	0	0	0	0	0	0
204	Total - DEPRECIATION EXPENSE	403	3,114,371	2,010,230	279,890	247,102	40,562	87,887	12,223
205									

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation							
				N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
168	Outside Services Employed	923	0	0	0	0	0	0	0	0	0
169	Injuries & Damages	925	260,141	1,651	384	106	0	4,047	810	19,140	2,991
170	Employee Pensions and Benefits	926	767,116	4,868	1,133	312	0	11,935	2,390	56,440	8,821
171	Subtotal - O&M Accounts 920-923, 926		3,722,307	22,589	5,247	1,589	0	56,406	11,250	260,872	40,815
172											
173	B. Plant-Related:										
174	Property Insurance	924	255	2	1	0	0	5	1	26	4
175	Subtotal - O&M Accounts 924		255	2	1	0	0	5	1	26	4
176											
177	C. Other-Related:										
178	Regulatory Commission Expenses	928	269,917	2,371	557	71	0	5,197	1,069	27,924	4,336
179	Duplicate Charges Credit	929	(18,875)	(166)	(39)	(5)	0	(363)	(75)	(1,953)	(303)
180	PUCO Assessments	408	0	0	0	0	0	0	0	0	0
181	Customer Interest Expense	431	61,449	41	6	6	0	280	50	62	11
182	Miscellaneous General	930	185,185	1,412	329	49	0	3,226	658	16,353	2,542
183	Rents	931	314,468	854	183	87	0	2,825	540	8,218	1,293
184	Misc. General Plant	935	114,011	809	186	114	0	2,151	424	9,066	1,431
185	Subtotal - O&M Accounts 928-935		926,155	5,321	1,221	321	0	13,316	2,666	59,671	9,310
186											
187	Total - ADMINISTRATIVE & GENERAL EX		4,648,717	27,913	6,469	1,910	0	69,727	13,917	320,570	50,130
188											
189	TOTAL - OPERATING EXPENSES (Excl D		11,072,065	74,460	15,553	11,233	0	139,894	27,696	642,981	101,256
190											
191	VI. DEPRECIATION EXPENSE										
192	Intangible Plant	403	26,866	273	64	6	0	586	121	3,235	502
193	Production Plant	403	0	0	0	0	0	0	0	0	0
194	Local Storage Plant	403	0	0	0	0	0	0	0	0	0
195	Transmission Plant	403	117,683	2,480	591	0	0	4,917	1,035	30,030	4,647
196	Mains	404	940,291	11,151	2,658	65	0	21,962	4,628	135,325	20,940
197	Mains- Direct	404	0	0	0	0	0	0	0	0	0
198	Services	404	683,527	418	56	60	0	3,118	553	675	119
199	Meters	404	230,211	1,061	212	742	0	5,554	985	8,384	1,484
200	Distr Other	404	47,111	944	225	0	0	1,879	395	11,412	1,766
201	General Plant	404	315,085	1,999	465	128	0	4,902	982	23,182	3,623
202	Rent from Gas Ppty / Other Rev	404	753,598	6,620	1,555	198	0	14,510	2,985	77,963	12,107
203	Adjustments		0	0	0	0	0	0	0	0	0
204	Total - DEPRECIATION EXPENSE	403	3,114,371	24,947	5,827	1,198	0	57,428	11,684	290,206	45,188
205											

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
				N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
206	VII. TAXES OTHER THAN INCOME TAXE								
207	A. General Taxes								
208	Property Tax- Plant		615,720	390,673	55,068	47,517	7,882	17,442	2,409
209	Distribution Tax		0	0	0	0	0	0	0
210	Payroll related		12,179	8,318	1,043	927	137	344	47
211	Other taxes		40,251	25,539	3,600	3,106	515	1,140	158
212	Property Tax- Inventory		241,503	138,030	20,154	32,649	5,529	22,126	3,305
213	Subtotal- Taxes Other Than Income Taxes	408	909,652	562,561	79,865	84,200	14,063	41,052	5,919
214									
215	B. Franchise and Revenue Taxes								
216	Gross Receipts Tax		0	0	0	0	0	0	0
217	GRT- Uncoll Rider		0	0	0	0	0	0	0
218	Subtotal- Franchise and Gross Receipts Ta		0	0	0	0	0	0	0
219									
220	C. Income Tax Expense								
221	State Income Tax expense		33,394	395	(219)	9,558	1,283	6,713	903
222	Federal Income Tax Deferred		519,234	317,014	44,694	38,737	6,424	16,355	2,243
223	Federal Income Tax expense		212,506	2,511	(1,394)	60,826	8,163	42,718	5,749
224	Subtotal- Income tax expense		765,133	319,919	43,081	109,121	15,871	65,786	8,896
225	Total- TAX EXPENSE		1,674,786	882,480	122,945	193,320	29,933	106,838	14,814
226									
227	TOTAL EXPENSES		15,861,222	10,720,994	1,368,824	1,265,906	189,518	476,830	65,146
228									

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation							
			N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
VII. TAXES OTHER THAN INCOME TAXE										
A. General Taxes										
Property Tax- Plant		615,720	5,409	1,271	162	0	11,855	2,439	63,699	9,892
Distribution Tax		0	0	0	0	0	0	0	0	0
Payroll related		12,179	77	18	5	0	189	38	896	140
Other taxes		40,251	354	83	11	0	775	159	4,164	647
Property Tax- Inventory		241,503	8,715	1,920	9,076	0	0	0	0	0
Subtotal- Taxes Other Than Income Taxes	408	909,652	14,555	3,292	9,253	0	12,820	2,636	68,759	10,679
B. Franchise and Revenue Taxes										
Gross Receipts Tax		0	0	0	0	0	0	0	0	0
GRT- Uncoll Rider		0	0	0	0	0	0	0	0	0
Subtotal- Franchise and Gross Receipts Ta		0	0	0	0	0	0	0	0	0
C. Income Tax Expense										
State Income Tax expense		33,394	837	185	2,307	0	3,732	717	5,558	1,425
Federal Income Tax Deferred		519,234	5,332	1,260	135	0	11,302	2,342	63,536	9,860
Federal Income Tax expense		212,506	5,325	1,175	14,679	0	23,752	4,565	35,368	9,070
Subtotal- Income tax expense		765,133	11,494	2,620	17,121	0	38,786	7,624	104,463	20,355
Total- TAX EXPENSE		1,674,786	26,048	5,912	26,374	0	51,605	10,260	173,222	31,034
TOTAL EXPENSES		15,861,222	125,455	27,292	38,806	0	248,927	49,639	1,106,408	177,477

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
				N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
229	V. REVENUES at Present Rates								
230	Residential	480-483	11,695,138	10,409,754	1,285,384	0	0	0	0
231	Comm - Indust Sales	480-483	4,661,454	0	0	2,343,324	330,993	1,244,259	168,382
232	Comm - Indust Transport	480-483	2,673,260	0	0	0	0	0	0
233	Forfeited Discounts Gas	480-483	94,128	72,241	10,164	8,631	1,435	832	127
234	Returned Check Chgs Gas	480-483	13,340	10,238	1,440	1,223	203	118	18
235	Reconnect Charges Gas	480-484	67,279	51,635	7,264	6,169	1,025	595	91
236	Tax Remuneration Gas	480-485	29,924	16,369	2,021	3,685	520	1,957	265
237	Misc Revenue	480-485	0	0	0	0	0	0	0
238	Gas Revenue	480-483	0	0	0	0	0	0	0
239	Rent from Gas Ppty / Other Rev	495	0	0	0	0	0	0	0
240	Subtotal Gas Revenues, net		19,234,523	10,560,238	1,306,273	2,363,033	334,177	1,247,759	168,882
241									
242	Non-Operating Income	418-421	0	0	0	0	0	0	0
243	Non-Operating Income	426	0	0	0	0	0	0	0
244	Total Non-Oper Income		0	0	0	0	0	0	0
245									
246	Total Revenue		19,234,523	10,560,238	1,306,273	2,363,033	334,177	1,247,759	168,882
247									
248	Total Expenses		15,861,222	10,720,994	1,368,824	1,265,906	189,518	476,830	65,146
249									
250	NET INCOME at Present Rates		3,373,301	(160,755)	(62,551)	1,097,127	144,659	770,930	103,737
251				-0.4%	-1.2%	23.5%	18.8%	37.1%	35.4%
252	Tariff Revenue Requirements		19,234,523	10,560,238	1,306,273	2,363,033	334,177	1,247,759	168,882
253									

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation							
				N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
229	V. REVENUES at Present Rates										
230	Residential	480-483	11,695,138	0	0	0	0	0	0	0	0
231	Comm - Indust Sales	480-483	4,661,454	209,848	45,555	319,093	0	0	0	0	0
232	Comm - Indust Transport	480-483	2,673,260	0	0	0	0	665,715	129,074	1,561,943	316,528
233	Forfeited Discounts Gas	480-483	94,128	63	8	8	0	429	76	96	17
234	Returned Check Chgs Gas	480-483	13,340	9	1	1	0	61	11	14	2
235	Reconnect Charges Gas	480-484	67,279	45	6	6	0	307	54	68	12
236	Tax Remuneration Gas	480-485	29,924	330	72	502	0	1,047	203	2,456	498
237	Misc Revenue	480-485	0	0	0	0	0	0	0	0	0
238	Gas Revenue	480-483	0	0	0	0	0	0	0	0	0
239	Rent from Gas Ppty / Other Rev	495	0	0	0	0	0	0	0	0	0
240	Subtotal Gas Revenues, net		19,234,523	210,296	45,642	319,610	0	667,559	129,418	1,564,577	317,057
241											
242	Non-Operating Income	418-421	0	0	0	0	0	0	0	0	0
243	Non-Operating Income	426	0	0	0	0	0	0	0	0	0
244	Total Non-Oper Income		0	0	0	0	0	0	0	0	0
245											
246	Total Revenue		19,234,523	210,296	45,642	319,610	0	667,559	129,418	1,564,577	317,057
247											
248	Total Expenses		15,861,222	125,455	27,292	38,806	0	248,927	49,639	1,106,408	177,477
249											
250	NET INCOME at Present Rates		3,373,301	84,841	18,351	280,804	0	418,632	79,779	458,169	139,580
251				12.0%	11.3%	92.2%	0.0%	44.4%	41.1%	8.9%	17.4%
252	Tariff Revenue Requirements		19,234,523	210,296	45,642	319,610	0	667,559	129,418	1,564,577	317,057
253											

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
			N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
SUMMARY								
Revenues								
Gas revenues		19,234,523	10,560,238	1,306,273	2,363,033	334,177	1,247,759	168,882
Non-operating income		0	0	0	0	0	0	0
Total revenues		19,234,523	10,560,238	1,306,273	2,363,033	334,177	1,247,759	168,882
Operating Expenses								
Production Expenses		18,343	10,060	1,405	2,304	374	1,870	263
Natural Gas Storage, Terminaling & Proc. I		77,687	42,606	5,950	9,759	1,586	7,921	1,114
Transmission Expenses		169,987	67,496	9,745	15,800	2,589	9,900	1,335
Distribution Expenses		2,771,495	1,853,216	230,767	209,106	30,698	82,872	11,230
Total Operating Expenses		3,037,512	1,973,379	247,867	236,969	35,248	102,563	13,942
Customer Accounts, Services, & Sales Exp		3,385,836	2,659,324	309,802	230,502	29,947	54,340	7,029
Administrative & General Expenses		4,648,717	3,195,581	408,320	358,012	53,828	125,202	17,137
Depreciation Expense		3,114,371	2,010,230	279,890	247,102	40,562	87,887	12,223
Taxes other than Income, GRT		909,652	562,561	79,865	84,200	14,063	41,052	5,919
Total Other Expenses		12,058,576	8,427,696	1,077,876	919,816	138,400	308,481	42,308
Income tax expense		765,133	319,919	43,081	109,121	15,871	65,786	8,896
Gross receipts tax expense		0	0	0	0	0	0	0
Total expenses		15,861,222	10,720,994	1,368,824	1,265,906	189,518	476,830	65,146
NET INCOME at Present Rates		3,373,301	(160,755)	(62,551)	1,097,127	144,659	770,930	103,737
Total Rate Base		**57,732,318**	**36,558,016**	**5,113,118**	**4,659,621**	**768,320**	**2,078,167**	**292,729**
Effective tax rate		18.5%	201.0%	-221.3%	9.0%	9.9%	7.9%	7.9%
Effective GRT Rate		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation							
			N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
SUMMARY										
Revenues										
Gas revenues		19,234,523	210,296	45,642	319,610	0	667,559	129,418	1,564,577	317,057
Non-operating income		0	0	0	0	0	0	0	0	0
Total revenues		19,234,523	210,296	45,642	319,610	0	667,559	129,418	1,564,577	317,057
Operating Expenses										
Production Expenses		18,343	842	177	1,048	0	0	0	0	0
Natural Gas Storage, Terminaling & Proc. I		77,687	3,566	748	4,438	0	0	0	0	0
Transmission Expenses		169,987	3,583	853	0	0	7,102	1,494	43,377	6,712
Distribution Expenses		2,771,495	20,173	4,716	1,103	0	46,591	9,435	234,969	36,618
Total Operating Expenses		3,037,512	28,163	6,494	6,589	0	53,693	10,930	278,346	43,330
Customer Accounts, Services, & Sales Exp		3,385,836	18,385	2,589	2,733	0	16,475	2,848	44,065	7,796
Administrative & General Expenses		4,648,717	27,913	6,469	1,910	0	69,727	13,917	320,570	50,130
Depreciation Expense		3,114,371	24,947	5,827	1,198	0	57,428	11,684	290,206	45,188
Taxes other than Income, GRT		909,652	14,555	3,292	9,253	0	12,820	2,636	68,759	10,679
Total Other Expenses		12,058,576	85,799	18,178	15,096	0	156,449	31,086	723,600	113,792
Income tax expense		765,133	11,494	2,620	17,121	0	38,786	7,624	104,463	20,355
Gross receipts tax expense		0	0	0	0	0	0	0	0	0
Total expenses		15,861,222	125,455	27,292	38,806	0	248,927	49,639	1,106,408	177,477
NET INCOME at Present Rates		3,373,301	84,841	18,351	280,804	0	418,632	79,779	458,169	139,580
Total Rate Base		**57,732,318**	**709,546**	**162,301**	**304,718**	**0**	**942,287**	**194,309**	**5,149,070**	**800,116**
Effective tax rate		18.5%	11.9%	12.5%	5.7%	#DIV/0!	8.5%	8.7%	18.6%	12.7%
Effective GRT Rate		0.00%	0.00%	0.00%	0.00%	#DIV/0!	0.00%	0.00%	0.00%	0.00%

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation					
				N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF	NW- Sm Vol Firm-SVF
283	REVENUE REQUIREMENTS								
284									
285	Target ROR		9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%
286	Using Target for System								
287	Rate Base		57,732,318	36,558,016	5,113,118	4,659,621	768,320	2,078,167	292,729
288									
289	Operating expenses		11,072,065	7,828,284	965,989	825,483	119,023	282,106	38,108
290	Depreciation expense		3,114,371	2,010,230	279,890	247,102	40,562	87,887	12,223
291	Additional Bad Debt expense		0	0	0	0	0	0	0
292	Taxes other than Income, GRT		909,652	562,561	79,865	84,200	14,063	41,052	5,919
293	Operating expenses to recover		15,096,088	10,401,075	1,325,743	1,156,785	173,648	411,044	56,250
294									
295	Target Return on Rate Base- After taxes		5,295,901	3,353,540	469,037	427,436	70,480	190,634	26,853
296									
297	Income taxes to recover	1,035,246	1,800,380	1,140,060	159,452	145,310	23,960	64,808	9,129
298	Subtotal- Rev Req before GRT		22,192,369	14,894,675	1,954,232	1,729,532	268,087	666,486	92,232
299	GRT needed	0	0	0	0	0	0	0	0
300	TOTAL REVENUE REQUIREMENT		22,192,369	14,894,675	1,954,232	1,729,532	268,087	666,486	92,232

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	Total Allocated Dollars	TOTAL Class Allocation								
			N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
REVENUE REQUIREMENTS										
Target ROR		9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%
Using Target for System										
Rate Base		57,732,318	709,546	162,301	304,718	0	942,287	194,309	5,149,070	800,116
Operating expenses		11,072,065	74,460	15,553	11,233	0	139,894	27,696	642,981	101,256
Depreciation expense		3,114,371	24,947	5,827	1,198	0	57,428	11,684	290,206	45,188
Additional Bad Debt expense		0	0	0	0	0	0	0	0	0
Taxes other than Income, GRT		909,652	14,555	3,292	9,253	0	12,820	2,636	68,759	10,679
Operating expenses to recover		15,096,088	113,962	24,671	21,685	0	210,142	42,015	1,001,946	157,122
Target Return on Rate Base- After taxes		5,295,901	65,088	14,888	27,952	0	86,438	17,824	472,334	73,396
Income taxes to recover	1,035,246	1,800,380	22,127	5,061	9,503	0	29,385	6,060	160,573	24,952
Subtotal- Rev Req before GRT		22,192,369	201,177	44,621	59,140	0	325,965	65,899	1,634,853	255,470
GRT needed	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE REQUIREMENT		22,192,369	201,177	44,621	59,140	0	325,965	65,899	1,634,853	255,470

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008
FUNCTIONALIZATION

Account Description	Account Code	Account Balance	Allocation Factor	SUPPLY	STORAGE	TRANSMI	DISTRIBU	ONSITE
I. GAS PLANT IN SERVICE								
Organization	301	284,572	DIST	0	0	0	284,572	0
Franchises & Consents	302	22,760	DIST	0	0	0	22,760	0
Subtotal - INTANGIBLE ASSETS	301-303	307,332		0	0	0	307,332	0
B. PRODUCTION PLANT								
Production Plant	304-338	0	None	0	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0		0	0	0	0	0
C. STORAGE PLANT								
Storage Plant	360-365	0	None	0	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0		0	0	0	0	0
D. TRANSMISSION PLANT	365-369	7,461,275	TRANS	0	0	7,461,275	0	0
E. DISTRIBUTION PLANT								
Land and Land Rights	374	37,329	DIST	0	0	0	37,329	0
Structures and Improvements	375	98,669	DIST	0	0	0	98,669	0
Mains	376	40,882,215	DIST	0	0	0	40,882,215	0
Meas. & Reg. Stat. Equip. - General	378	636,217	DIST	0	0	0	636,217	0
Meas. & Reg. Stat. Equip. - City Gate	379	932,939	DIST	0	0	0	932,939	0
Services	380	23,733,563	DIST	0	0	0	23,733,563	0
Meters	381	5,233,634	ONSITE	0	0	0	0	5,233,634
House Regulators	383	3,111,493	ONSITE	0	0	0	0	3,111,493
Ind. Meas. & Reg. Station Equip.	385	583,501	DIST	0	0	0	583,501	0
Other Equipment	387	5,472	DIST	0	0	0	5,472	0
Subtotal - DISTRIBUTION PLANT	374-387	75,255,033		0	0	0	66,909,905	8,345,128
F. GENERAL PLANT								
Land and Land Rights	389	40,234	LABOR	0	0	0	20,934	19,299
Structures and Improvements	390	1,269,203	LABOR	0	0	0	660,393	608,810
Office Furniture and Equipment	391	374,488	LABOR	0	0	0	194,854	179,634
Office Furniture and Equipment - C	391C	707,056	LABOR	0	0	0	367,896	339,160
Transportation Equipment	392	1,213,917	LABOR	0	0	0	631,626	582,291
Stores Equipment	393	29,019	LABOR	0	0	0	15,099	13,920
Tools & Garage Equipment	394	761,155	LABOR	0	0	0	396,044	365,110
Laboratory Equipment	395	98,267	LABOR	0	0	0	51,130	47,137
Power Operated Equipment	396	425,081	LABOR	0	0	0	221,179	203,903

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008
FUNCTIONALIZATION

	Account Description	Account Code	Account Balance	Allocation Factor	SUPPLY	STORAGE	TRANSMI	DISTRIBU	ONSITE
50	Common Property	397	410,334	LABOR	0	0	0	213,505	196,829
51	Miscellaneous Equipment	398	116,207	LABOR	0	0	0	60,465	55,742
52	Subtotal - GENERAL PLANT	389-399	5,444,960		0	0	0	2,833,126	2,611,834
53									
54	**TOTAL UTILITY PLANT**		88,468,600		0	0	7,461,275	70,050,363	10,956,962
55									
56	**II. DEPRECIATION RESERVE**								
57	Intangible Plant	108.10	117,135	DIST	0	0	0	117,135	0
58	Production Plant	108.20	0	None	0	0	0	0	0
59	Local Storage Plant	108.30	0	None	0	0	0	0	0
60	Transmission Plant	108.40	5,179,243	TRANS	0	0	5,179,243	0	0
61	Mains	108.52	15,056,283	DIST	0	0	0	15,056,283	0
62	Mains- Direct Assignment	108.52	0	None	0	0	0	0	0
63	Services	108.54	12,276,976	DIST	0	0	0	12,276,976	0
64	Meters	108.55	3,137,874	ONSITE	0	0	0	0	3,137,874
65	Distr Other	108.58	1,003,123	DIST	0	0	0	1,003,123	0
66	General Plant	108.80	2,862,349	LABOR	0	0	0	1,489,340	1,373,009
67	TOTAL - DEPRECIATION RESERVE	108	39,632,982		0	0	5,179,243	29,942,857	4,510,883
68									
69	**III. OTHER RATE BASE ITEMS**								
70	Gas Storage Inventory		6,572,717	STOR	0	6,572,717	0	0	0
71	Materials & Supplies - 13 Mo Avg		470,373	PLANT	0	0	42,429	380,489	47,455
72	Customer Deposits		(994,045)	DIST	0	0	0	(994,045)	0
73	Customer Advances for Construction		(317,323)	DIST	0	0	0	(317,323)	0
74	Accum Defd Inc Taxes- Gas Inventory		0	STOR	0	0	0	0	0
75	Accum Defd Inc Taxes- Plant		(1,847,299)	PLANT	0	0	(166,632)	(1,494,296)	(186,371)
76	Other Gas-related		0	STOR	0	0	0	0	0
77	Other Plant-related		2,527,130	PLANT	0	0	227,955	2,044,216	254,958
78	Other labor-related		0	LABOR	0	0	0	0	0
79	Total - OTHER RATE BASE ITEMS		6,411,553		0	6,572,717	103,752	(380,958)	116,042
80									
81	**IV. TOTAL RATE BASE (Excl. Working Capital)**		55,247,170		0	6,572,717	2,385,785	39,726,548	6,562,121
82	Working Capital	131	2,485,148	O&M	17,466	0	53,446	945,436	1,468,800
83									
84	**V. TOTAL RATE BASE**		57,732,318		17,466	6,572,717	2,439,231	40,671,983	8,030,921
85									
86	**I. OPERATION & MAINTENANCE EXPENSE**								
87	**A. PRODUCTION EXPENSES**								

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008
FUNCTIONALIZATION

Account Description	Account Code	Account Balance	Allocation Factor	SUPPLY	STORAGE	TRANSMI	DISTRIBU	ONSITE
1. Manufactured Gas Production								
Operations Labor	701	0	None	0	0	0	0	0
Operation Supv and Engineering	710	0	None	0	0	0	0	0
LNG Expense	717	0	None	0	0	0	0	0
Subtotal - O&M Accounts 701-716	710-716	0		0	0	0	0	0
Maint. of Structure & Improvements	741	0	None	0	0	0	0	0
Maint Production Equipment	742	0	None	0	0	0	0	0
Subtotal - O&M Accounts 717-742	717-742	0		0	0	0	0	0
Subtotal - Manufactured Gas Production	710-742	0		0	0	0	0	0
2. Other Gas Supply Expenses								
Natural Gas City Gate Purchases	804	0	SUPP	0	0	0	0	0
Other Natural Gas Purchases	805	0	SUPP	0	0	0	0	0
Natural Gas W/D from Storage- Gas Repo	808	0	SUPP	0	0	0	0	0
Gas Used for Other Util Operations	812	0	SUPP	0	0	0	0	0
LNG Operating Expenses	813	18,343	SUPP	18,343	0	0	0	0
Subtotal - PRODUCTION EXPENSES	710-813	18,343		18,343	0	0	0	0
B. NATURAL GAS STORAGE, TERMINALING & PROCESSING EXPENSES								
Energy Trading & Accounting	844	77,687	SUPP	77,687	0	0	0	0
Subtotal - NATURAL GAS STORAGE	840-850	77,687		77,687	0	0	0	0
C. TRANSMISSION EXPENSES	851-870	169,987	TRANS	0	0	169,987	0	0
D. DISTRIBUTION EXPENSES								
Mains and Services Expenses	874	168,919	DIST	0	0	0	168,919	0
Perf Distrib Main Locates	874.01	274,398	DIST	0	0	0	274,398	0
Routine Leak Surv Mains & SVCS	874.02	72,227	DIST	0	0	0	72,227	0
Meas. & Reg. Station Expense General	875	110,946	DIST	0	0	0	110,946	0
Meas. & Reg. Station Expense Industrial	876	0	DIST	0	0	0	0	0
Meas. & Reg. Station Expense Stat-City G	877	28,156	DIST	0	0	0	28,156	0
Meter & House Regulator Expenses	878	229,717	ONSITE	0	0	0	0	229,717
Perf Connects/Discon/Recon-Gas	878.01	521,299	ONSITE	0	0	0	0	521,299
Customer Install	879	294,993	ONSITE	0	0	0	0	294,993
Other expenses	880	211,476	DIST_PT	0	0	0	188,025	23,451
Co Used Gas O&M Offset	880.01	19,827	DIST_PT	0	0	0	17,628	2,199
Distribution Rents	881	0	DIST_PT	0	0	0	0	0
Maint. Supervision & Engineering	885	58,975	DIST_PT	0	0	0	52,435	6,540
Maint. of Mains	887	450,109	DIST	0	0	0	450,109	0
PerfMaint3rdPartyDmg-UGDistGas	887.01	7,160	DIST	0	0	0	7,160	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008
FUNCTIONALIZATION

	Account Description	Account Code	Account Balance	Allocation Factor	SUPPLY	STORAGE	TRANSMI	DISTRIBU	ONSITE
128	Dist Maint Compr Station Equip	888	133	DIST	0	0	0	133	0
129	Maint Of Meas. & Reg. Station Expense G	889	66,419	DIST	0	0	0	66,419	0
130	Maint Of Meas. & Reg. Station Expense In	890	70,803	DIST	0	0	0	70,803	0
131	Maint Of Meas. & Reg. Station Expense St	891	4,809	DIST	0	0	0	4,809	0
132	Maint. of Services	892	134,957	DIST	0	0	0	134,957	0
133	Maint. of Meters & House Regulators	893	45,986	ONSITE	0	0	0	0	45,986
134	Maintenance of Other Equipment	894	189	DIST_PT	0	0	0	168	21
135	Blank	XXX	0	DIST_PT	0	0	0	0	0
136	Subtotal - DISTRIBUTION EXPENSES	870-894	2,771,495		0	0	0	1,647,291	1,124,204
137	Total - OPERATION & MAINTENANCE EXPENSES		3,019,169		77,687	0	169,987	1,647,291	1,124,204
138									
139	**II. CUSTOMER ACCOUNTS EXPENSES**								
140	Customer Service - Administrative	901	73,353	ONSITE	0	0	0	0	73,353
141	Meter Reading Expenses	902	667,900	ONSITE	0	0	0	0	667,900
142	Customer Records & Collection Expense	903	915,988	ONSITE	0	0	0	0	915,988
143	Uncollectible Accounts	904	1,365,508	ONSITE	0	0	0	0	1,365,508
144	Write-Off- PIP	904P	0	ONSITE	0	0	0	0	0
145	Miscellaneous Customer Accounts Expens	905	51,806	ONSITE	0	0	0	0	51,806
146	Miscellaneous Customer Accounts Expens	905A	0	ONSITE	0	0	0	0	0
147	Total - CUSTOMER ACCOUNTS EXPENSES		3,074,555		0	0	0	0	3,074,555
148									
149	**III. CUSTOMER SERVICE & INFORMATIONAL EXPENSES**								
150	Operation Supervision	907	20,484	ONSITE	0	0	0	0	20,484
151	Customer Assist- Choice	908C	0	ONSITE	0	0	0	0	0
152	Customer Assist- Other	908	240,043	ONSITE	0	0	0	0	240,043
153	Advertising & Promotion	909	20,444	ONSITE	0	0	0	0	20,444
154	Other Customer Service & Informational E	910	0	ONSITE	0	0	0	0	0
155	Operations sales Expense	911	13,870	ONSITE	0	0	0	0	13,870
156	Demonstration	912	16,439	ONSITE	0	0	0	0	16,439
157	Total - CUSTOMER SERVICE & INFORMATIONAL EXP.		311,281		0	0	0	0	311,281
158									
159	**Total - CUSTOMER ACCOUNTS, SERVICES & SALES EXPENSES**		3,385,836		0	0	0	0	3,385,836
160									
161	**IV. ADMINISTRATIVE & GENERAL EXPENSES**								
162									
163	A. Labor-Related:								
164	Administrative & General Salaries	920	1,750,379	LABOR	0	0	0	910,759	839,621
165	Office Supplies & Expenses	921	738,856	LABOR	0	0	0	384,442	354,414
166	Transfer Expenses	922	0	LABOR	0	0	0	0	0
167	Outside Services Employed	923	205,815	ONSITE	0	0	0	0	205,815

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008
FUNCTIONALIZATION

	Account Description	Account Code	Account Balance	Allocation Factor	SUPPLY	STORAGE	TRANSMI	DISTRIBU	ONSITE
168	Outside Services Employed	923	0	ONSITE	0	0	0	0	0
169	Injuries & Damages	925	260,141	LABOR	0	0	0	135,357	124,784
170	Employee Pensions and Benefits	926	767,116	LABOR	0	0	0	399,146	367,970
171	Subtotal - O&M Accounts 920-923, 926		3,722,307		0	0	0	1,829,704	1,892,604
172									
173	B. Plant-Related:								
174	Property Insurance	924	255	PLANT	0	0	23	206	26
175	Subtotal - O&M Accounts 924		255		0	0	23	206	26
176									
177	C. Other-Related:								
178	Regulatory Commission Expenses	928	269,917	PLANT	0	0	24,347	218,338	27,232
179	Duplicate Charges Credit	929	(18,875)	PLANT	0	0	(1,703)	(15,268)	(1,904)
180	PUCO Assessments	408	0	PLANT	0	0	0	0	0
181	Customer Interest Expense	431	61,449	DIST	0	0	0	61,449	0
182	Miscellaneous General	930	185,185	PLANT	0	0	16,704	149,798	18,683
183	Rents	931	314,468	PLANT	0	0	28,366	254,375	31,726
184	Misc. General Plant	935	114,011	LABOR	0	0	0	59,322	54,689
185	Subtotal - O&M Accounts 928-935		926,155		0	0	67,715	728,014	130,425
186									
187	Total - ADMINISTRATIVE & GENERAL EXPENSES		4,648,717		0	0	67,738	2,557,924	2,023,055
188									
189	**TOTAL - OPERATING EXPENSES (Excl Depr, Tax and Gas Supply)**		11,053,722		77,687	0	237,725	4,205,215	6,533,095
190									
191	**VI. DEPRECIATION EXPENSE**								
192	Intangible Plant	403.10	26,866	INTANG_PT	0	0	0	26,866	0
193	Production Plant	403.20	0	None	0	0	0	0	0
194	Local Storage Plant	403.30	0	None	0	0	0	0	0
195	Transmission Plant	403.40	117,683	TRANS	0	0	117,683	0	0
196	Mains	403.51	940,291	DIST	0	0	0	940,291	0
197	Mains- Direct	403.52	0	DIST	0	0	0	0	0
198	Services	403.53	683,527	DIST	0	0	0	683,527	0
199	Meters	403.54	230,211	ONSITE	0	0	0	0	230,211
200	Distr Other	403.55	47,111	DIST_xMSM	0	0	0	47,111	0
201	General Plant	403.60	315,085	LABOR	0	0	0	163,945	151,140
202	Rent from Gas Ppty / Other Rev	404.00	753,598	PLANT	0	0	67,977	609,592	76,029
203	Adjustments		0	PLANT	0	0	0	0	0
204	Total - DEPRECIATION EXPENSE	403	3,114,371		0	0	185,660	2,471,331	457,380
205									
206	**VII. TAXES OTHER THAN INCOME TAXES**								
207	**A. General Taxes**								

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	Account Balance	Allocation Factor	FUNCTIONALIZATION SUPPLY	STORAGE	TRANSMI	DISTRIBU	ONSITE
208	Property Tax- Plant		615,720	PLANT	0	0	55,540	498,061	62,119
209	Distribution Tax		0	None	0	0	0	0	0
210	Payroll related		12,179	LABOR	0	0	0	6,337	5,842
211	Other taxes		40,251	PLANT	0	0	3,631	32,559	4,061
212	Property Tax- Inventory		241,503	STOR	0	241,503	0	0	0
213	Subtotal- Taxes Other Than Income Taxes	408	909,652		0	241,503	59,171	536,957	72,022
214									
215	**B. Franchise and Revenue Taxes**								
216	Gross Receipts Tax		0	REVENUE	0	0	0	0	0
217	GRT- Uncoll Rider		0	None	0	0	0	0	0
218	Subtotal- Franchise and Gross Receipts Tax		0		0	0	0	0	0
219									
220	**C. Income Tax Expense**								
221	State Income Tax expense		33,394	Pre-Tax	53	7,563	1,962	2,649	21,166
222	Federal Income Tax Deferred		519,234	PLANT	0	0	46,837	420,013	52,385
223	Federal Income Tax expense		212,506	Pre-Tax	339	48,131	12,483	16,858	134,695
224	Subtotal- Income tax expense		765,133		392	55,694	61,282	439,519	208,246
225	Total- TAX EXPENSE		1,674,786		392	297,197	120,452	976,476	280,268
226									
227	TOTAL EXPENSES		15,861,222		96,422	297,197	543,837	7,653,022	7,270,742
228									

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008
FUNCTIONALIZATION

	Account Description	Account Code	Account Balance	Allocation Factor	SUPPLY	STORAGE	TRANSMI	DISTRIBU	ONSITE
229	**V. REVENUES at Present Rates**								
230	Residential	480-483	11,695,138	REVENUE	62,401	716,759	441,224	4,585,627	5,889,127
231	Comm - Indust Sales	480-483	4,661,454	REVENUE	24,872	285,686	175,863	1,827,741	2,347,291
232	Comm - Indust Transport	480-483	2,673,260	REVENUE	14,264	163,836	100,854	1,048,177	1,346,129
233	Forfeited Discounts Gas	480-483	94,128	REVENUE	502	5,769	3,551	36,907	47,398
234	Returned Check Chgs Gas	480-483	13,340	REVENUE	71	818	503	5,231	6,717
235	Reconnect Charges Gas	480-484	67,279	REVENUE	359	4,123	2,538	26,380	33,879
236	Tax Remuneration Gas	480-485	29,924	REVENUE	160	1,834	1,129	11,733	15,068
237	Misc Revenue	480-485	0	REVENUE	0	0	0	0	0
238	Gas Revenue	480-483	0	REVENUE	0	0	0	0	0
239	Rent from Gas Ppty / Other Rev	495	0	REVENUE	0	0	0	0	0
240	Subtotal Gas Revenues, net		19,234,523		102,628	1,178,826	725,663	7,541,796	9,685,610
241									
242	Non-Operating Income	418-421	0	None	0	0	0	0	0
243	Non-Operating Income	426	0	None	0	0	0	0	0
244	Total Non-Oper Income		0		0	0	0	0	0
245									
246	Total Revenue		19,234,523		102,628	1,178,826	725,663	7,541,796	9,685,610
247									
248	Total Expenses		15,861,222		96,422	297,197	543,837	7,653,022	7,270,742
249									
250	**NET INCOME at Present Rates**		3,373,301		6,206	881,628	181,826	(111,226)	2,414,867

Exhibit HEO-3

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	DISTRIBUTION Dollars	Classification Allocation Factor	DISTRIBUTION Demand	DISTRIBUTION Commodity	DISTRIBUTION Customer
12	I. GAS PLANT IN SERVICE						
13	Organization	301	284,572	DISTOnlyPT	49,690	0	234,882
14	Franchises & Consents	302	22,760	CUST	0	0	22,760
15	Subtotal - INTANGIBLE ASSETS	301-303	307,332		49,690	0	257,642
16							
17	B. PRODUCTION PLANT						
18	Production Plant	304-338	0	None	0	0	0
19	Subtotal - PRODUCTION PLANT	304-338	0		0	0	0
20							
21	C. STORAGE PLANT						
22	Storage Plant	360-365	0	None	0	0	0
23	Subtotal - STORAGE PLANT	360-366	0		0	0	0
24							
25	D. TRANSMISSION PLANT	365-369	0	None	0	0	0
26							
27	E. DISTRIBUTION PLANT						
28	Land and Land Rights	374	37,329	DISTOnlyPT	6,518	0	30,811
29	Structures and Improvements	375	98,669	DISTOnlyPT	17,229	0	81,440
30	Mains	376	40,882,215	MAINS	9,505,920	0	31,376,294
31	Meas. & Reg. Stat. Equip. - General	378	636,217	DEMAND	636,217	0	0
32	Meas. & Reg. Stat. Equip. - City Gate	379	932,939	DEMAND	932,939	0	0
33	Services	380	23,733,563	CUST	0	0	23,733,563
34	Meters	381	0	None	0	0	0
35	House Regulators	383	0	None	0	0	0
36	Ind. Meas. & Reg. Station Equip.	385	583,501	DEMAND	583,501	0	0
37	Other Equipment	387	5,472	DISTOnlyPT	956	0	4,517
38	Subtotal - DISTRIBUTION PLANT	374-387	66,909,905		11,683,280	0	55,226,625
39							
40	F. GENERAL PLANT						
41	Land and Land Rights	389	20,934	DISTLABOR	6,220	0	14,715
42	Structures and Improvements	390	660,393	DISTLABOR	196,201	0	464,191
43	Office Furniture and Equipment	391	194,854	DISTLABOR	57,891	0	136,963
44	Office Furniture and Equipment - C	391C	367,896	DISTLABOR	109,301	0	258,595
45	Transportation Equipment	392	631,626	DISTLABOR	187,655	0	443,971
46	Stores Equipment	393	15,099	DISTLABOR	4,486	0	10,613
47	Tools & Garage Equipment	394	396,044	DISTLABOR	117,664	0	278,380
48	Laboratory Equipment	395	51,130	DISTLABOR	15,191	0	35,940
49	Power Operated Equipment	396	221,179	DISTLABOR	65,712	0	155,467
50	Common Property	397	213,505	DISTLABOR	63,432	0	150,073
51	Miscellaneous Equipment	398	60,465	DISTLABOR	17,964	0	42,501

Exhibit HEO-3

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	DISTRIBUTION Dollars	Classification Allocation Factor	DISTRIBUTION Demand	DISTRIBUTION Commodity	DISTRIBUTION Customer
52	Subtotal - GENERAL PLANT	389-399	2,833,126		841,716	0	1,991,409
53							
54	TOTAL UTILITY PLANT		70,050,363		12,574,686	0	57,475,677
55							
56	II. DEPRECIATION RESERVE						
57	Intangible Plant	108	117,135	DISTPT_INT	18,939	0	98,197
58	Production Plant	108	0	None	0	0	0
59	Local Storage Plant	108	0	None	0	0	0
60	Transmission Plant	108	0	None	0	0	0
61	Mains	109	15,056,283	MAINS	3,500,882	0	11,555,401
62	Mains- Direct Assignment	109	0	None	0	0	0
63	Services	109	12,276,976	CUST	0	0	12,276,976
64	Meters	109	0	None	0	0	0
65	Distr Other	109	1,003,123	DISTPT_xMSM	952,065	0	51,057
66	General Plant	109	1,489,340	DISTLABOR	442,480	0	1,046,860
67	TOTAL - DEPRECIATION RESERVE	108	29,942,857		4,914,366	0	25,028,491
68							
69	III. OTHER RATE BASE ITEMS						
70	Gas Storage Inventory		0	COMMODITY	0	0	0
71	Materials & Supplies - 13 Mo Avg		380,489	DISTPT	66,438	0	314,051
72	Customer Deposits		(994,045)	CUST	0	0	(994,045)
73	Customer Advances for Construction		(317,323)	CUST	0	0	(317,323)
74	Accum Defd Inc Taxes- Gas Inventory		0	DISTPT	0	0	0
75	Accum Defd Inc Taxes- Plant		(1,494,296)	DISTPT	(260,922)	0	(1,233,374)
76	Other Gas-related		0	CUST	0	0	0
77	Other Plant-related		2,044,216	DISTPT	356,945	0	1,687,271
78	Other labor-related		0	DISTLABOR	0	0	0
79	Total - OTHER RATE BASE ITEMS		(380,958)		162,461	0	(543,419)
80							
81	IV. TOTAL RATE BASE (Excl. Working Ca		39,726,548		7,822,780	0	31,903,767
82	Working Capital	131	945,436	DISTPT	165,085	0	780,351
83							
84	V. TOTAL RATE BASE		40,671,983		7,987,865	0	32,684,119
85							
86	I. OPERATION & MAINTENANCE EXPEN						
87	A. PRODUCTION EXPENSES						
88	1. Manufactured Gas Production						
89	Operations Labor	701	0	None	0	0	0
90	Operation Supv and Engineering	710	0	None	0	0	0
91	LNG Expense	717	0	None	0	0	0

Exhibit HEO-3

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	DISTRIBUTION Dollars	Classification Allocation Factor	DISTRIBUTION Demand	DISTRIBUTION Commodity	DISTRIBUTION Customer
92	Subtotal - O&M Accounts 701-716	710-716	0		0	0	0
93	Maint. of Structure & Improvements	741	0	None	0	0	0
94	Maint Production Equipment	742	0	None	0	0	0
95	Subtotal - O&M Accounts 717-742	717-742	0		0	0	0
96	Subtotal - Manufactured Gas Production	710-742	0		0	0	0
97							
98	2. Other Gas Supply Expenses						
99	Natural Gas City Gate Purchases	804	0	None	0	0	0
100	Other Natural Gas Purchases	805	0	None	0	0	0
101	Natural Gas W/D from Storage- Gas Repoi	808	0	None	0	0	0
102	Gas Used for Other Util Operations	812	0	None	0	0	0
103	LNG Operating Expenses	813	0	None	0	0	0
104	Subtotal - PRODUCTION EXPENSES	710-813	0		0	0	0
105							
106	B. NATURAL GAS STORAGE, TERMINAL						
107	Energy Trading & Accounting	844	0	None	0	0	0
108	Subtotal - NATURAL GAS STORAGE	840-850	0		0	0	0
109							
110	C. TRANSMISSION EXPENSES	851-870	0	None	0	0	0
111							
112	D. DISTRIBUTION EXPENSES						
113	Mains and Services Expenses	874	168,919	MAIN&SERVICE	24,850	0	144,068
114	Perf Distrib Main Locates	874	274,398	MAINS	63,803	0	210,595
115	Routine Leak Surv Mains & SVCS	874	72,227	MAIN&SERVICE	10,626	0	61,602
116	Meas. & Reg. Station Expense General	875	110,946	DEMAND	110,946	0	0
117	Meas. & Reg. Station Expense Industrial	876	0	DEMAND	0	0	0
118	Meas. & Reg. Station Expense Stat-City G.	877	28,156	DEMAND	28,156	0	0
119	Meter & House Regulator Expenses	878	0	None	0	0	0
120	Perf Connects/Discon/Recon-Gas	878	0	None	0	0	0
121	Customer Install	879	0	None	0	0	0
122	Other expenses	880	188,025	DISTOnlyPT	32,831	0	155,194
123	Co Used Gas O&M Offset	880	17,628	DISTOnlyPT	3,078	0	14,550
124	Distribution Rents	881	0	DISTOnlyPT	0	0	0
125	Maint. Supervision & Engineering	885	52,435	DISTOnlyPT	9,156	0	43,279
126	Maint. of Mains	887	450,109	MAINS	104,659	0	345,450
127	PerfMaint3rdPartyDmg-UGDistGas	887	7,160	MAINS	1,665	0	5,495
128	Dist Maint Compr Station Equip	888	133	DEMAND	133	0	0
129	Maint Of Meas. & Reg. Station Expense G	889	66,419	DEMAND	66,419	0	0
130	Maint Of Meas. & Reg. Station Expense In	890	70,803	DEMAND	70,803	0	0
131	Maint Of Meas. & Reg. Station Expense St	891	4,809	DEMAND	4,809	0	0

Exhibit HEO-3

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	DISTRIBUTION Dollars	Classification Allocation Factor	DISTRIBUTION Demand	Commodity	Customer
132	Maint. of Services	892	134,957	CUST	0	0	134,957
133	Maint. of Meters & House Regulators	893	0	None	0	0	0
134	Maintenance of Other Equipment	894	168	DISTOnlyPT	29	0	139
135	Blank	XXX	0	MAIN&SERVICE	0	0	0
136	Subtotal - DISTRIBUTION EXPENSES	870-894	1,647,291		531,963	0	1,115,328
137	Total - OPERATION & MAINTENANCE EX		1,647,291		531,963	0	1,115,328
138							
139	II. CUSTOMER ACCOUNTS EXPENSES						
140	Customer Service - Administrative	901	0	None	0	0	0
141	Meter Reading Expenses	902	0	None	0	0	0
142	Customer Records & Collection Expense	903	0	None	0	0	0
143	Uncollectible Accounts	904	0	CUST	0	0	0
144	Write-Off- PIP	904P	0	CUST	0	0	0
145	Miscellaneous Customer Accounts Expens	905	0	None	0	0	0
146	Miscellaneous Customer Accounts Expens	905A	0	None	0	0	0
147	Total - CUSTOMER ACCOUNTS EXPENS		0		0	0	0
148							
149	III. CUSTOMER SERVICE & INFORMATIC						
150	Operation Supervision	907	0	CUST	0	0	0
151	Customer Assist- Choice	908C	0	CUST	0	0	0
152	Customer Assist- Other	908	0	CUST	0	0	0
153	Advertising & Promotion	909	0	CUST	0	0	0
154	Other Customer Service & Informational E	910	0	CUST	0	0	0
155	Operations sales Expense	911	0	CUST	0	0	0
156	Demonstration	912	0	CUST	0	0	0
157	Total - CUSTOMER SERVICE & INFORM/		0		0	0	0
158							
159	Total - CUSTOMER ACCOUNTS, SERVIC		0		0	0	0
160							
161	IV. ADMINISTRATIVE & GENERAL EXPE						
162							
163	A. Labor-Related:						
164	Administrative & General Salaries	920	910,759	DISTLABOR	270,585	0	640,174
165	Office Supplies & Expenses	921	384,442	DISTLABOR	114,217	0	270,225
166	Transfer Expenses	922	0	DISTLABOR	0	0	0
167	Outside Services Employed	923	0	DISTLABOR	0	0	0
168	Outside Services Employed	923	0	DISTLABOR	0	0	0
169	Injuries & Damages	925	135,357	DISTLABOR	40,214	0	95,143
170	Employee Pensions and Benefits	926	399,146	DISTLABOR	118,586	0	280,561
171	Subtotal - O&M Accounts 920-923, 926		1,829,704		543,601	0	1,286,102

Exhibit HEO-3

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	DISTRIBUTION Dollars	Classification Allocation Factor	DISTRIBUTION Demand	DISTRIBUTION Commodity	DISTRIBUTION Customer
173	B. Plant-Related:						
174	Property Insurance	924	206	DISTPT	36	0	170
175	Subtotal - O&M Accounts 924		206		36	0	170
176							
177	C. Other-Related:						
178	Regulatory Commission Expenses	928	218,338	DISTPT	38,124	0	180,214
179	Duplicate Charges Credit	929	(15,268)	DISTPT	(2,666)	0	(12,602)
180	PUCO Assessments	408	0	CUST	0	0	0
181	Customer Interest Expense	431	61,449	CUST	0	0	61,449
182	Miscellaneous General	930	149,798	DISTPT	26,157	0	123,641
183	Rents	931	254,375	CUST	0	0	254,375
184	Misc. General Plant	935	59,322	DISTLABOR	17,625	0	41,698
185	Subtotal - O&M Accounts 928-935		728,014		79,240	0	648,775
186							
187	Total - ADMINISTRATIVE & GENERAL EX		2,557,924		622,877	0	1,935,047
188							
189	TOTAL - OPERATING EXPENSES (Excl D		4,205,215		1,154,840	0	3,050,375
190							
191	VI. DEPRECIATION EXPENSE						
192	Intangible Plant	403	26,866	DISTPT_INT	4,344	0	22,522
193	Production Plant	403	0	None	0	0	0
194	Local Storage Plant	403	0	None	0	0	0
195	Transmission Plant	403	0	None	0	0	0
196	Mains	404	940,291	MAINS	218,636	0	721,655
197	Mains- Direct	404	0	None	0	0	0
198	Services	404	683,527	CUST	0	0	683,527
199	Meters	404	0	None	0	0	0
200	Distr Other	404	47,111	DISTPT_xMSM	44,713	0	2,398
201	General Plant	404	163,945	DISTLABOR	48,708	0	115,237
202	Rent from Gas Ppty / Other Rev	404	609,592	DISTPT	106,442	0	503,150
203	Adjustments		0	DISTPT	0	0	0
204	Total - DEPRECIATION EXPENSE	403	2,471,331		422,843	0	2,048,488
205							
206	VII. TAXES OTHER THAN INCOME TAXE						
207	A. General Taxes						
208	Property Tax- Plant		498,061	DISTPT	86,967	0	411,093
209	Distribution Tax		0	None	0	0	0
210	Payroll related		6,337	DISTLABOR	1,883	0	4,454
211	Other taxes		32,559	DISTPT	5,685	0	26,874

Exhibit HEO-3

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	DISTRIBUTION Dollars	Classification Allocation Factor	DISTRIBUTION Demand	Commodity	Customer
212	Property Tax- Inventory		0	COMMODITY	0	0	0
213	Subtotal- Taxes Other Than Income Taxes	408	536,957		94,535	0	442,421
214							
215	B. Franchise and Revenue Taxes						
216	Gross Receipts Tax		0	CUST	0	0	0
217	GRT- Uncoll Rider		0	CUST	0	0	0
218	Subtotal- Franchise and Gross Receipts Ta		0		0	0	0
219							
220	C. Income Tax Expense						
221	State Income Tax expense		2,649	PreTax-DIST	(268)	0	2,917
222	Federal Income Tax Deferred		420,013	RevReq_Dist	91,277	0	328,736
223	Federal Income Tax expense		16,858	PreTax-DIST	(1,707)	0	18,565
224	Subtotal- Income tax expense		439,519		89,301	0	350,218
225	Total- TAX EXPENSE		976,476		183,836	0	792,640
226							
227	TOTAL EXPENSES		7,653,022		1,761,519	0	5,891,503
228							
229	V. REVENUES at Present Rates						
230	Residential	480-483	4,585,627	RevReq_Dist	996,541	0	3,589,086
231	Comm - Indust Sales	480-483	1,827,741	RevReq_Dist	397,202	0	1,430,540
232	Comm - Indust Transport	480-483	1,048,177	RevReq_Dist	227,788	0	820,389
233	Forfeited Discounts Gas	480-483	36,907	RevReq_Dist	8,021	0	28,887
234	Returned Check Chgs Gas	480-483	5,231	RevReq_Dist	1,137	0	4,094
235	Reconnect Charges Gas	480-484	26,380	RevReq_Dist	5,733	0	20,647
236	Tax Remuneration Gas	480-485	11,733	RevReq_Dist	2,550	0	9,183
237	Misc Revenue	480-485	0	CUST	0	0	0
238	Gas Revenue	480-483	0	RevReq_Dist	0	0	0
239	Rent from Gas Ppty / Other Rev	495	0	DISTPT	0	0	0
240	Subtotal Gas Revenues, net		7,541,796		1,638,971	0	5,902,825
241							
242	Non-Operating Income	418-421	0	None	0	0	0
243	Non-Operating Income	426	0	None	0	0	0
244	Total Non-Oper Income		0		0	0	0
245							
246	Total Revenue		7,541,796		1,638,971	0	5,902,825
247							
248	Total Expenses		7,653,022		1,761,519	0	5,891,503
249							
250	NET INCOME at Present Rates		(111,226)		(122,548)	0	11,321

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
				N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
I. GAS PLANT IN SERVICE								
Organization	301	0	None	0	0	0	0	0
Franchises & Consents	302	0	None	0	0	0	0	0
Subtotal - INTANGIBLE ASSETS	301-303	0		0	0	0	0	0
B. PRODUCTION PLANT								
Production Plant	304-338	0	None	0	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0		0	0	0	0	0
C. STORAGE PLANT								
Storage Plant	360-365	0	None	0	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0		0	0	0	0	0
D. TRANSMISSION PLANT	365-369	0	None	0	0	0	0	0
E. DISTRIBUTION PLANT								
Land and Land Rights	374	0	None	0	0	0	0	0
Structures and Improvements	375	0	None	0	0	0	0	0
Mains	376	0	None	0	0	0	0	0
Meas. & Reg. Stat. Equip. - General	378	0	None	0	0	0	0	0
Meas. & Reg. Stat. Equip. - City Gate	379	0	None	0	0	0	0	0
Services	380	0	None	0	0	0	0	0
Meters	381	0	None	0	0	0	0	0
House Regulators	383	0	None	0	0	0	0	0
Ind. Meas. & Reg. Station Equip.	385	0	None	0	0	0	0	0
Other Equipment	387	0	None	0	0	0	0	0
Subtotal - DISTRIBUTION PLANT	374-387	0		0	0	0	0	0
F. GENERAL PLANT								
Land and Land Rights	389	0	SUPPPT-E	0	0	0	0	0
Structures and Improvements	390	0	SUPPPT-E	0	0	0	0	0
Office Furniture and Equipment	391	0	SUPPPT-E	0	0	0	0	0
Office Furniture and Equipment - C	391C	0	SUPPPT-E	0	0	0	0	0
Transportation Equipment	392	0	SUPPPT-E	0	0	0	0	0
Stores Equipment	393	0	SUPPPT-E	0	0	0	0	0
Tools & Garage Equipment	394	0	SUPPPT-E	0	0	0	0	0
Laboratory Equipment	395	0	SUPPPT-E	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
				NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
I. GAS PLANT IN SERVICE								
Organization	301	0	None	0	0	0	0	0
Franchises & Consents	302	0	None	0	0	0	0	0
Subtotal - INTANGIBLE ASSETS	301-303	0		0	0	0	0	0
B. PRODUCTION PLANT								
Production Plant	304-338	0	None	0	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0		0	0	0	0	0
C. STORAGE PLANT								
Storage Plant	360-365	0	None	0	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0		0	0	0	0	0
D. TRANSMISSION PLANT	365-369	0	None	0	0	0	0	0
E. DISTRIBUTION PLANT								
Land and Land Rights	374	0	None	0	0	0	0	0
Structures and Improvements	375	0	None	0	0	0	0	0
Mains	376	0	None	0	0	0	0	0
Meas. & Reg. Stat. Equip. - General	378	0	None	0	0	0	0	0
Meas. & Reg. Stat. Equip. - City Gate	379	0	None	0	0	0	0	0
Services	380	0	None	0	0	0	0	0
Meters	381	0	None	0	0	0	0	0
House Regulators	383	0	None	0	0	0	0	0
Ind. Meas. & Reg. Station Equip.	385	0	None	0	0	0	0	0
Other Equipment	387	0	None	0	0	0	0	0
Subtotal - DISTRIBUTION PLANT	374-387	0		0	0	0	0	0
F. GENERAL PLANT								
Land and Land Rights	389	0	SUPPPT-E	0	0	0	0	0
Structures and Improvements	390	0	SUPPPT-E	0	0	0	0	0
Office Furniture and Equipment	391	0	SUPPPT-E	0	0	0	0	0
Office Furniture and Equipment - C	391C	0	SUPPPT-E	0	0	0	0	0
Transportation Equipment	392	0	SUPPPT-E	0	0	0	0	0
Stores Equipment	393	0	SUPPPT-E	0	0	0	0	0
Tools & Garage Equipment	394	0	SUPPPT-E	0	0	0	0	0
Laboratory Equipment	395	0	SUPPPT-E	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation			
				N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
I. GAS PLANT IN SERVICE							
Organization	301	0	None	0	0	0	0
Franchises & Consents	302	0	None	0	0	0	0
Subtotal - INTANGIBLE ASSETS	301-303	0		0	0	0	0
B. PRODUCTION PLANT							
Production Plant	304-338	0	None	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0		0	0	0	0
C. STORAGE PLANT							
Storage Plant	360-365	0	None	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0		0	0	0	0
D. TRANSMISSION PLANT	365-369	0	None	0	0	0	0
E. DISTRIBUTION PLANT							
Land and Land Rights	374	0	None	0	0	0	0
Structures and Improvements	375	0	None	0	0	0	0
Mains	376	0	None	0	0	0	0
Meas. & Reg. Stat. Equip. - General	378	0	None	0	0	0	0
Meas. & Reg. Stat. Equip. - City Gate	379	0	None	0	0	0	0
Services	380	0	None	0	0	0	0
Meters	381	0	None	0	0	0	0
House Regulators	383	0	None	0	0	0	0
Ind. Meas. & Reg. Station Equip.	385	0	None	0	0	0	0
Other Equipment	387	0	None	0	0	0	0
Subtotal - DISTRIBUTION PLANT	374-387	0		0	0	0	0
F. GENERAL PLANT							
Land and Land Rights	389	0	SUPPPT-E	0	0	0	0
Structures and Improvements	390	0	SUPPPT-E	0	0	0	0
Office Furniture and Equipment	391	0	SUPPPT-E	0	0	0	0
Office Furniture and Equipment - C	391C	0	SUPPPT-E	0	0	0	0
Transportation Equipment	392	0	SUPPPT-E	0	0	0	0
Stores Equipment	393	0	SUPPPT-E	0	0	0	0
Tools & Garage Equipment	394	0	SUPPPT-E	0	0	0	0
Laboratory Equipment	395	0	SUPPPT-E	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
49	Power Operated Equipment	396	0	SUPPPT-E	0	0	0	0	0
50	Common Property	397	0	SUPPPT-E	0	0	0	0	0
51	Miscellaneous Equipment	398	0	SUPPPT-E	0	0	0	0	0
52	Subtotal - GENERAL PLANT	389-399	0		0	0	0	0	0
53									
54	TOTAL UTILITY PLANT		0		0	0	0	0	0
55									
56	II. DEPRECIATION RESERVE								
57	Intangible Plant	108	0	Gas_Deliveries	0	0	0	0	0
58	Production Plant	108	0	None	0	0	0	0	0
59	Local Storage Plant	108	0	None	0	0	0	0	0
60	Transmission Plant	108	0	None	0	0	0	0	0
61	Mains	109	0	None	0	0	0	0	0
62	Mains- Direct Assignment	109	0	None	0	0	0	0	0
63	Services	109	0	None	0	0	0	0	0
64	Meters	109	0	None	0	0	0	0	0
65	Distr Other	109	0	None	0	0	0	0	0
66	General Plant	109	0	SUPPLABOR-E	0	0	0	0	0
67	TOTAL - DEPRECIATION RESERVE	108	0		0	0	0	0	0
68									
69	III. OTHER RATE BASE ITEMS								
70	Gas Storage Inventory		0	Winter4	0	0	0	0	0
71	Materials & Supplies - 13 Mo Avg		0	None	0	0	0	0	0
72	Customer Deposits		0	None	0	0	0	0	0
73	Customer Advances for Construction		0	None	0	0	0	0	0
74	Accum Defd Inc Taxes- Gas Inventory		0	Winter4	0	0	0	0	0
75	Accum Defd Inc Taxes- Plant		0	None	0	0	0	0	0
76	Other Gas-related		0	None	0	0	0	0	0
77	Other Plant-related		0	None	0	0	0	0	0
78	Other labor-related		0	SUPPLABOR-E	0	0	0	0	0
79	Total - OTHER RATE BASE ITEMS		0		0	0	0	0	0
80									
81	IV. TOTAL RATE BASE (Excl. Working Ca		0		0	0	0	0	0
82	Working Capital	131	17,466	SUPPO&MXGAS-C	9,580	1,328	2,191	353	1,740
83									
84	V. TOTAL RATE BASE		17,466		9,580	1,328	2,191	353	1,740
85									

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
49	Power Operated Equipment	396	0	SUPPPT-E	0	0	0	0	0
50	Common Property	397	0	SUPPPT-E	0	0	0	0	0
51	Miscellaneous Equipment	398	0	SUPPPT-E	0	0	0	0	0
52	Subtotal - GENERAL PLANT	389-399	0		0	0	0	0	0
53									
54	TOTAL UTILITY PLANT		0		0	0	0	0	0
55									
56	II. DEPRECIATION RESERVE								
57	Intangible Plant	108	0	Gas_Deliveries	0	0	0	0	0
58	Production Plant	108	0	None	0	0	0	0	0
59	Local Storage Plant	108	0	None	0	0	0	0	0
60	Transmission Plant	108	0	None	0	0	0	0	0
61	Mains	109	0	None	0	0	0	0	0
62	Mains- Direct Assignment	109	0	None	0	0	0	0	0
63	Services	109	0	None	0	0	0	0	0
64	Meters	109	0	None	0	0	0	0	0
65	Distr Other	109	0	None	0	0	0	0	0
66	General Plant	109	0	SUPPLABOR-E	0	0	0	0	0
67	TOTAL - DEPRECIATION RESERVE	108	0		0	0	0	0	0
68									
69	III. OTHER RATE BASE ITEMS								
70	Gas Storage Inventory		0	Winter4	0	0	0	0	0
71	Materials & Supplies - 13 Mo Avg		0	None	0	0	0	0	0
72	Customer Deposits		0	None	0	0	0	0	0
73	Customer Advances for Construction		0	None	0	0	0	0	0
74	Accum Defd Inc Taxes- Gas Inventory		0	Winter4	0	0	0	0	0
75	Accum Defd Inc Taxes- Plant		0	None	0	0	0	0	0
76	Other Gas-related		0	None	0	0	0	0	0
77	Other Plant-related		0	None	0	0	0	0	0
78	Other labor-related		0	SUPPLABOR-E	0	0	0	0	0
79	Total - OTHER RATE BASE ITEMS		0		0	0	0	0	0
80									
81	IV. TOTAL RATE BASE (Excl. Working Ca		0		0	0	0	0	0
82	Working Capital	131	17,466	SUPPO&MXGAS-C	244	763	160	953	0
83									
84	V. TOTAL RATE BASE		17,466		244	763	160	953	0
85									

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation			
					N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
49	Power Operated Equipment	396	0	SUPPPT-E	0	0	0	0
50	Common Property	397	0	SUPPPT-E	0	0	0	0
51	Miscellaneous Equipment	398	0	SUPPPT-E	0	0	0	0
52	Subtotal - GENERAL PLANT	389-399	0		0	0	0	0
53								
54	TOTAL UTILITY PLANT		0		0	0	0	0
55								
56	II. DEPRECIATION RESERVE							
57	Intangible Plant	108	0	Gas_Deliveries	0	0	0	0
58	Production Plant	108	0	None	0	0	0	0
59	Local Storage Plant	108	0	None	0	0	0	0
60	Transmission Plant	108	0	None	0	0	0	0
61	Mains	109	0	None	0	0	0	0
62	Mains- Direct Assignment	109	0	None	0	0	0	0
63	Services	109	0	None	0	0	0	0
64	Meters	109	0	None	0	0	0	0
65	Distr Other	109	0	None	0	0	0	0
66	General Plant	109	0	SUPPLABOR-E	0	0	0	0
67	TOTAL - DEPRECIATION RESERVE	108	0		0	0	0	0
68								
69	III. OTHER RATE BASE ITEMS							
70	Gas Storage Inventory		0	Winter4	0	0	0	0
71	Materials & Supplies - 13 Mo Avg		0	None	0	0	0	0
72	Customer Deposits		0	None	0	0	0	0
73	Customer Advances for Construction		0	None	0	0	0	0
74	Accum Defd Inc Taxes- Gas Inventory		0	Winter4	0	0	0	0
75	Accum Defd Inc Taxes- Plant		0	None	0	0	0	0
76	Other Gas-related		0	None	0	0	0	0
77	Other Plant-related		0	None	0	0	0	0
78	Other labor-related		0	SUPPLABOR-E	0	0	0	0
79	Total - OTHER RATE BASE ITEMS		0		0	0	0	0
80								
81	IV. TOTAL RATE BASE (Excl. Working Ca		0		0	0	0	0
82	Working Capital	131	17,466	SUPPO&MXGAS-C	38	7	90	18
83								
84	V. TOTAL RATE BASE		17,466		38	7	90	18
85								

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
				N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
I. OPERATION & MAINTENANCE EXPEN								
A. PRODUCTION EXPENSES								
1. Manufactured Gas Production								
Operations Labor	701	0	None	0	0	0	0	0
Operation Supv and Engineering	710	0	None	0	0	0	0	0
LNG Expense	717	0	None	0	0	0	0	0
Subtotal - O&M Accounts 701-716	710-716	0		0	0	0	0	0
Maint. of Structure & Improvements	741	0	None	0	0	0	0	0
Maint Production Equipment	742	0	None	0	0	0	0	0
Subtotal - O&M Accounts 717-742	717-742	0	None	0	0	0	0	0
Subtotal - Manufactured Gas Production	710-742	0		0	0	0	0	0
2. Other Gas Supply Expenses								
Natural Gas City Gate Purchases	804	0	Gas_Rev	0	0	0	0	0
Other Natural Gas Purchases	805	0	Gas_Rev	0	0	0	0	0
Natural Gas W/D from Storage- Gas Repo	808	0	Gas_Rev	0	0	0	0	0
Gas Used for Other Util Operations	812	0	Gas_Rev	0	0	0	0	0
LNG Operating Expenses	813	18,343	Gas_Rev	10,060	1,405	2,304	374	1,870
Subtotal - PRODUCTION EXPENSES	710-813	18,343		10,060	1,405	2,304	374	1,870
B. NATURAL GAS STORAGE, TERMINAL								
Energy Trading & Accounting	844	77,687	Gas_Rev	42,606	5,950	9,759	1,586	7,921
Subtotal - NATURAL GAS STORAGE	840-850	77,687		42,606	5,950	9,759	1,586	7,921
C. TRANSMISSION EXPENSES	851-870	0	None	0	0	0	0	0
D. DISTRIBUTION EXPENSES								
Mains and Services Expenses	874	0	None	0	0	0	0	0
Perf Distrib Main Locates	874	0	Gas_Deliveries	0	0	0	0	0
Routine Leak Surv Mains & SVCS	874	0	None	0	0	0	0	0
Meas. & Reg. Station Expense General	875	0	None	0	0	0	0	0
Meas. & Reg. Station Expense Industrial	876	0	None	0	0	0	0	0
Meas. & Reg. Station Expense Stat-City G	877	0	None	0	0	0	0	0
Meter & House Regulator Expenses	878	0	None	0	0	0	0	0
Perf Connects/Discon/Recon-Gas	878	0	None	0	0	0	0	0
Customer Install	879	0	None	0	0	0	0	0
Other expenses	880	0	None	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
				NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
I. OPERATION & MAINTENANCE EXPEN								
A. PRODUCTION EXPENSES								
1. Manufactured Gas Production								
Operations Labor	701	0	None	0	0	0	0	0
Operation Supv and Engineering	710	0	None	0	0	0	0	0
LNG Expense	717	0	None	0	0	0	0	0
Subtotal - O&M Accounts 701-716	710-716	0		0	0	0	0	0
Maint. of Structure & Improvements	741	0	None	0	0	0	0	0
Maint Production Equipment	742	0	None	0	0	0	0	0
Subtotal - O&M Accounts 717-742	717-742	0	None	0	0	0	0	0
Subtotal - Manufactured Gas Production	710-742	0		0	0	0	0	0
2. Other Gas Supply Expenses								
Natural Gas City Gate Purchases	804	0	Gas_Rev	0	0	0	0	0
Other Natural Gas Purchases	805	0	Gas_Rev	0	0	0	0	0
Natural Gas W/D from Storage- Gas Repoi	808	0	Gas_Rev	0	0	0	0	0
Gas Used for Other Util Operations	812	0	Gas_Rev	0	0	0	0	0
LNG Operating Expenses	813	18,343	Gas_Rev	263	842	177	1,048	0
Subtotal - PRODUCTION EXPENSES	710-813	18,343		263	842	177	1,048	0
B. NATURAL GAS STORAGE, TERMINAL								
Energy Trading & Accounting	844	77,687	Gas_Rev	1,114	3,566	748	4,438	0
Subtotal - NATURAL GAS STORAGE	840-850	77,687		1,114	3,566	748	4,438	0
C. TRANSMISSION EXPENSES	851-870	0	None	0	0	0	0	0
D. DISTRIBUTION EXPENSES								
Mains and Services Expenses	874	0	None	0	0	0	0	0
Perf Distrib Main Locates	874	0	Gas_Deliveries	0	0	0	0	0
Routine Leak Surv Mains & SVCS	874	0	None	0	0	0	0	0
Meas. & Reg. Station Expense General	875	0	None	0	0	0	0	0
Meas. & Reg. Station Expense Industrial	876	0	None	0	0	0	0	0
Meas. & Reg. Station Expense Stat-City G	877	0	None	0	0	0	0	0
Meter & House Regulator Expenses	878	0	None	0	0	0	0	0
Perf Connects/Discon/Recon-Gas	878	0	None	0	0	0	0	0
Customer Install	879	0	None	0	0	0	0	0
Other expenses	880	0	None	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation			
				N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
I. OPERATION & MAINTENANCE EXPEN							
A. PRODUCTION EXPENSES							
1. Manufactured Gas Production							
Operations Labor	701	0	None	0	0	0	0
Operation Supv and Engineering	710	0	None	0	0	0	0
LNG Expense	717	0	None	0	0	0	0
Subtotal - O&M Accounts 701-716	710-716	0		0	0	0	0
Maint. of Structure & Improvements	741	0	None	0	0	0	0
Maint Production Equipment	742	0	None	0	0	0	0
Subtotal - O&M Accounts 717-742	717-742	0	None	0	0	0	0
Subtotal - Manufactured Gas Production	710-742	0		0	0	0	0
2. Other Gas Supply Expenses							
Natural Gas City Gate Purchases	804	0	Gas_Rev	0	0	0	0
Other Natural Gas Purchases	805	0	Gas_Rev	0	0	0	0
Natural Gas W/D from Storage- Gas Repoi	808	0	Gas_Rev	0	0	0	0
Gas Used for Other Util Operations	812	0	Gas_Rev	0	0	0	0
LNG Operating Expenses	813	18,343	Gas_Rev	0	0	0	0
Subtotal - PRODUCTION EXPENSES	710-813	18,343		0	0	0	0
B. NATURAL GAS STORAGE, TERMINAL							
Energy Trading & Accounting	844	77,687	Gas_Rev	0	0	0	0
Subtotal - NATURAL GAS STORAGE	840-850	77,687		0	0	0	0
C. TRANSMISSION EXPENSES	851-870	0	None	0	0	0	0
D. DISTRIBUTION EXPENSES							
Mains and Services Expenses	874	0	None	0	0	0	0
Perf Distrib Main Locates	874	0	Gas_Deliveries	0	0	0	0
Routine Leak Surv Mains & SVCS	874	0	None	0	0	0	0
Meas. & Reg. Station Expense General	875	0	None	0	0	0	0
Meas. & Reg. Station Expense Industrial	876	0	None	0	0	0	0
Meas. & Reg. Station Expense Stat-City G	877	0	None	0	0	0	0
Meter & House Regulator Expenses	878	0	None	0	0	0	0
Perf Connects/Discon/Recon-Gas	878	0	None	0	0	0	0
Customer Install	879	0	None	0	0	0	0
Other expenses	880	0	None	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
123	Co Used Gas O&M Offset	880	0	None	0	0	0	0	0
124	Distribution Rents	881	0	None	0	0	0	0	0
125	Maint. Supervision & Engineering	885	0	None	0	0	0	0	0
126	Maint. of Mains	887	0	None	0	0	0	0	0
127	PerfMaint3rdPartyDmg-UGDistGas	887	0	None	0	0	0	0	0
128	Dist Maint Compr Station Equip	888	0	None	0	0	0	0	0
129	Maint Of Meas. & Reg. Station Expense G	889	0	None	0	0	0	0	0
130	Maint Of Meas. & Reg. Station Expense In	890	0	None	0	0	0	0	0
131	Maint Of Meas. & Reg. Station Expense St	891	0	None	0	0	0	0	0
132	Maint. of Services	892	0	None	0	0	0	0	0
133	Maint. of Meters & House Regulators	893	0	None	0	0	0	0	0
134	Maintenance of Other Equipment	894	0	None	0	0	0	0	0
135	Blank	XXX	0	None	0	0	0	0	0
136	Subtotal - DISTRIBUTION EXPENSES	870-894	0		0	0	0	0	0
137	Total - OPERATION & MAINTENANCE EX		77,687		42,606	5,950	9,759	1,586	7,921
138									
139	II. CUSTOMER ACCOUNTS EXPENSES								
140	Customer Service - Administrative	901	0	None	0	0	0	0	0
141	Meter Reading Expenses	902	0	None	0	0	0	0	0
142	Customer Records & Collection Expense	903	0	None	0	0	0	0	0
143	Uncollectible Accounts	904	0	None	0	0	0	0	0
144	Write-Off- PIP	904P	0	None	0	0	0	0	0
145	Miscellaneous Customer Accounts Expens	905	0	None	0	0	0	0	0
146	Miscellaneous Customer Accounts Expens	905A	0	None	0	0	0	0	0
147	Total - CUSTOMER ACCOUNTS EXPENS		0		0	0	0	0	0
148									
149	III. CUSTOMER SERVICE & INFORMATIC								
150	Operation Supervision	907	0	None	0	0	0	0	0
151	Customer Assist- Choice	908C	0	None	0	0	0	0	0
152	Customer Assist- Other	908	0	None	0	0	0	0	0
153	Advertising & Promotion	909	0	None	0	0	0	0	0
154	Other Customer Service & Informational E	910	0	None	0	0	0	0	0
155	Operations sales Expense	911	0	None	0	0	0	0	0
156	Demonstration	912	0	None	0	0	0	0	0
157	Total - CUSTOMER SERVICE & INFORM/		0	None	0	0	0	0	0
158									
159	Total - CUSTOMER ACCOUNTS, SERVIC		0		0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
123	Co Used Gas O&M Offset	880	0	None	0	0	0	0	0
124	Distribution Rents	881	0	None	0	0	0	0	0
125	Maint. Supervision & Engineering	885	0	None	0	0	0	0	0
126	Maint. of Mains	887	0	None	0	0	0	0	0
127	PerfMaint3rdPartyDmg-UGDistGas	887	0	None	0	0	0	0	0
128	Dist Maint Compr Station Equip	888	0	None	0	0	0	0	0
129	Maint Of Meas. & Reg. Station Expense G	889	0	None	0	0	0	0	0
130	Maint Of Meas. & Reg. Station Expense In	890	0	None	0	0	0	0	0
131	Maint Of Meas. & Reg. Station Expense St	891	0	None	0	0	0	0	0
132	Maint. of Services	892	0	None	0	0	0	0	0
133	Maint. of Meters & House Regulators	893	0	None	0	0	0	0	0
134	Maintenance of Other Equipment	894	0	None	0	0	0	0	0
135	Blank	XXX	0	None	0	0	0	0	0
136	Subtotal - DISTRIBUTION EXPENSES	870-894	0		0	0	0	0	0
137	Total - OPERATION & MAINTENANCE EX		77,687		1,114	3,566	748	4,438	0
138									
139	II. CUSTOMER ACCOUNTS EXPENSES								
140	Customer Service - Administrative	901	0	None	0	0	0	0	0
141	Meter Reading Expenses	902	0	None	0	0	0	0	0
142	Customer Records & Collection Expense	903	0	None	0	0	0	0	0
143	Uncollectible Accounts	904	0	None	0	0	0	0	0
144	Write-Off- PIP	904P	0	None	0	0	0	0	0
145	Miscellaneous Customer Accounts Expens	905	0	None	0	0	0	0	0
146	Miscellaneous Customer Accounts Expens	905A	0	None	0	0	0	0	0
147	Total - CUSTOMER ACCOUNTS EXPENS		0		0	0	0	0	0
148									
149	III. CUSTOMER SERVICE & INFORMATIC								
150	Operation Supervision	907	0	None	0	0	0	0	0
151	Customer Assist- Choice	908C	0	None	0	0	0	0	0
152	Customer Assist- Other	908	0	None	0	0	0	0	0
153	Advertising & Promotion	909	0	None	0	0	0	0	0
154	Other Customer Service & Informational E:	910	0	None	0	0	0	0	0
155	Operations sales Expense	911	0	None	0	0	0	0	0
156	Demonstration	912	0	None	0	0	0	0	0
157	Total - CUSTOMER SERVICE & INFORM/		0	None	0	0	0	0	0
158									
159	Total - CUSTOMER ACCOUNTS, SERVIC		0		0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation			
					N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
123	Co Used Gas O&M Offset	880	0	None	0	0	0	0
124	Distribution Rents	881	0	None	0	0	0	0
125	Maint. Supervision & Engineering	885	0	None	0	0	0	0
126	Maint. of Mains	887	0	None	0	0	0	0
127	PerfMaint3rdPartyDmg-UGDistGas	887	0	None	0	0	0	0
128	Dist Maint Compr Station Equip	888	0	None	0	0	0	0
129	Maint Of Meas. & Reg. Station Expense G	889	0	None	0	0	0	0
130	Maint Of Meas. & Reg. Station Expense In	890	0	None	0	0	0	0
131	Maint Of Meas. & Reg. Station Expense St	891	0	None	0	0	0	0
132	Maint. of Services	892	0	None	0	0	0	0
133	Maint. of Meters & House Regulators	893	0	None	0	0	0	0
134	Maintenance of Other Equipment	894	0	None	0	0	0	0
135	Blank	XXX	0	None	0	0	0	0
136	Subtotal - DISTRIBUTION EXPENSES	870-894	0		0	0	0	0
137	Total - OPERATION & MAINTENANCE EX		77,687		0	0	0	0
138								
139	II. CUSTOMER ACCOUNTS EXPENSES							
140	Customer Service - Administrative	901	0	None	0	0	0	0
141	Meter Reading Expenses	902	0	None	0	0	0	0
142	Customer Records & Collection Expense	903	0	None	0	0	0	0
143	Uncollectible Accounts	904	0	None	0	0	0	0
144	Write-Off- PIP	904P	0	None	0	0	0	0
145	Miscellaneous Customer Accounts Expens	905	0	None	0	0	0	0
146	Miscellaneous Customer Accounts Expens	905A	0	None	0	0	0	0
147	Total - CUSTOMER ACCOUNTS EXPENS		0		0	0	0	0
148								
149	III. CUSTOMER SERVICE & INFORMATIC							
150	Operation Supervision	907	0	None	0	0	0	0
151	Customer Assist- Choice	908C	0	None	0	0	0	0
152	Customer Assist- Other	908	0	None	0	0	0	0
153	Advertising & Promotion	909	0	None	0	0	0	0
154	Other Customer Service & Informational E	910	0	None	0	0	0	0
155	Operations sales Expense	911	0	None	0	0	0	0
156	Demonstration	912	0	None	0	0	0	0
157	Total - CUSTOMER SERVICE & INFORM/		0	None	0	0	0	0
158								
159	Total - CUSTOMER ACCOUNTS, SERVIC		0		0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
161	IV. ADMINISTRATIVE & GENERAL EXPE								
163	A. Labor-Related:								
164	Administrative & General Salaries	920	0	SUPPLABOR-E	0	0	0	0	0
165	Office Supplies & Expenses	921	0	SUPPLABOR-E	0	0	0	0	0
166	Transfer Expenses	922	0	SUPPLABOR-E	0	0	0	0	0
167	Outside Services Employed	923	0	None	0	0	0	0	0
168	Outside Services Employed	923	0	SUPPLABOR-E	0	0	0	0	0
169	Injuries & Damages	925	0	SUPPLABOR-E	0	0	0	0	0
170	Employee Pensions and Benefits	926	0	SUPPLABOR-E	0	0	0	0	0
171	Subtotal - O&M Accounts 920-923, 926		0		0	0	0	0	0
173	B. Plant-Related:								
174	Property Insurance	924	0	None	0	0	0	0	0
175	Subtotal - O&M Accounts 924		0		0	0	0	0	0
177	C. Other-Related:								
178	Regulatory Commission Expenses	928	0	None	0	0	0	0	0
179	Duplicate Charges Credit	929	0	None	0	0	0	0	0
180	PUCO Assessments	408	0	None	0	0	0	0	0
181	Customer Interest Expense	431	0	None	0	0	0	0	0
182	Miscellaneous General	930	0	SUPPPT-E	0	0	0	0	0
183	Rents	931	0	None	0	0	0	0	0
184	Misc. General Plant	935	0	SUPPPT-E	0	0	0	0	0
185	Subtotal - O&M Accounts 928-935		0		0	0	0	0	0
187	Total - ADMINISTRATIVE & GENERAL EX		0		0	0	0	0	0
189	TOTAL - OPERATING EXPENSES (Excl D		77,687		42,606	5,950	9,759	1,586	7,921
191	VI. DEPRECIATION EXPENSE								
192	Intangible Plant	403	0	Winter4	0	0	0	0	0
193	Production Plant	403	0	None	0	0	0	0	0
194	Local Storage Plant	403	0	None	0	0	0	0	0
195	Transmission Plant	403	0	None	0	0	0	0	0
196	Mains	404	0	None	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
160									
161	IV. ADMINISTRATIVE & GENERAL EXPE								
162									
163	A. Labor-Related:								
164	Administrative & General Salaries	920	0	SUPPLABOR-E	0	0	0	0	0
165	Office Supplies & Expenses	921	0	SUPPLABOR-E	0	0	0	0	0
166	Transfer Expenses	922	0	SUPPLABOR-E	0	0	0	0	0
167	Outside Services Employed	923	0	None	0	0	0	0	0
168	Outside Services Employed	923	0	SUPPLABOR-E	0	0	0	0	0
169	Injuries & Damages	925	0	SUPPLABOR-E	0	0	0	0	0
170	Employee Pensions and Benefits	926	0	SUPPLABOR-E	0	0	0	0	0
171	Subtotal - O&M Accounts 920-923, 926		0		0	0	0	0	0
172									
173	B. Plant-Related:								
174	Property Insurance	924	0	None	0	0	0	0	0
175	Subtotal - O&M Accounts 924		0		0	0	0	0	0
176									
177	C. Other-Related:								
178	Regulatory Commission Expenses	928	0	None	0	0	0	0	0
179	Duplicate Charges Credit	929	0	None	0	0	0	0	0
180	PUCO Assessments	408	0	None	0	0	0	0	0
181	Customer Interest Expense	431	0	None	0	0	0	0	0
182	Miscellaneous General	930	0	SUPPPT-E	0	0	0	0	0
183	Rents	931	0	None	0	0	0	0	0
184	Misc. General Plant	935	0	SUPPPT-E	0	0	0	0	0
185	Subtotal - O&M Accounts 928-935		0		0	0	0	0	0
186									
187	Total - ADMINISTRATIVE & GENERAL EX		0		0	0	0	0	0
188									
189	TOTAL - OPERATING EXPENSES (Excl D		77,687		1,114	3,566	748	4,438	0
190									
191	VI. DEPRECIATION EXPENSE								
192	Intangible Plant	403	0	Winter4	0	0	0	0	0
193	Production Plant	403	0	None	0	0	0	0	0
194	Local Storage Plant	403	0	None	0	0	0	0	0
195	Transmission Plant	403	0	None	0	0	0	0	0
196	Mains	404	0	None	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation			
					N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
161	IV. ADMINISTRATIVE & GENERAL EXPE							
163	A. Labor-Related:							
164	Administrative & General Salaries	920	0	SUPPLABOR-E	0	0	0	0
165	Office Supplies & Expenses	921	0	SUPPLABOR-E	0	0	0	0
166	Transfer Expenses	922	0	SUPPLABOR-E	0	0	0	0
167	Outside Services Employed	923	0	None	0	0	0	0
168	Outside Services Employed	923	0	SUPPLABOR-E	0	0	0	0
169	Injuries & Damages	925	0	SUPPLABOR-E	0	0	0	0
170	Employee Pensions and Benefits	926	0	SUPPLABOR-E	0	0	0	0
171	Subtotal - O&M Accounts 920-923, 926		0		0	0	0	0
173	B. Plant-Related:							
174	Property Insurance	924	0	None	0	0	0	0
175	Subtotal - O&M Accounts 924		0		0	0	0	0
177	C. Other-Related:							
178	Regulatory Commission Expenses	928	0	None	0	0	0	0
179	Duplicate Charges Credit	929	0	None	0	0	0	0
180	PUCO Assessments	408	0	None	0	0	0	0
181	Customer Interest Expense	431	0	None	0	0	0	0
182	Miscellaneous General	930	0	SUPPPT-E	0	0	0	0
183	Rents	931	0	None	0	0	0	0
184	Misc. General Plant	935	0	SUPPPT-E	0	0	0	0
185	Subtotal - O&M Accounts 928-935		0		0	0	0	0
187	Total - ADMINISTRATIVE & GENERAL EX		0		0	0	0	0
189	TOTAL - OPERATING EXPENSES (Excl D		77,687		0	0	0	0
191	VI. DEPRECIATION EXPENSE							
192	Intangible Plant	403	0	Winter4	0	0	0	0
193	Production Plant	403	0	None	0	0	0	0
194	Local Storage Plant	403	0	None	0	0	0	0
195	Transmission Plant	403	0	None	0	0	0	0
196	Mains	404	0	None	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
197	Mains- Direct	404	0	None	0	0	0	0	0
198	Services	404	0	None	0	0	0	0	0
199	Meters	404	0	None	0	0	0	0	0
200	Distr Other	404	0	None	0	0	0	0	0
201	General Plant	404	0	SUPPLABOR-E	0	0	0	0	0
202	Rent from Gas Ppty / Other Rev	404	0	None	0	0	0	0	0
203	Adjustments		0	None	0	0	0	0	0
204	Total - DEPRECIATION EXPENSE	403	0		0	0	0	0	0
205									
206	VII. TAXES OTHER THAN INCOME TAXE								
207									
208	Property Tax- Plant		0	None	0	0	0	0	0
209	Distribution Tax		0	RATEBASE	0	0	0	0	0
210	Payroll related		0	SUPPLABOR-E	0	0	0	0	0
211	Other taxes		0	None	0	0	0	0	0
212	Property Tax- Inventory		0	Gas_Deliveries	0	0	0	0	0
213	Subtotal- Taxes Other Than Income Taxes	408	0		0	0	0	0	0
214									
215	B. Franchise and Revenue Taxes								
216	Gross Receipts Tax		0	SUPP-E_Rev_GRT	0	0	0	0	0
217	GRT- Uncoll Rider		0	None	0	0	0	0	0
218	Subtotal- Franchise and Gross Receipts Ta		0		0	0	0	0	0
219									
220	C. Income Tax Expense								
221	State Income Tax expense		53	PreTax-Supp-E	30	(3)	4	(1)	(25)
222	Federal Income Tax Deferred		0	PreTax-Supp-E	0	0	0	0	0
223	Federal Income Tax expense		339	PreTax-Supp-E	189	(20)	28	(9)	(161)
224	Subtotal- Income tax expense		392		219	(23)	32	(11)	(186)
225	Total- TAX EXPENSE		392		219	(23)	32	(11)	(186)
226									
227	TOTAL EXPENSES		96,422		52,885	7,332	12,095	1,950	9,605
228									
229	V. REVENUES at Present Rates								
230	Residential	480-483	62,401	Res_Rev	55,543	6,858	0	0	0
231	Comm - Indust Sales	480-483	24,872	CI_Bundled	0	0	12,503	1,766	6,639
232	Comm - Indust Transport	480-483	14,264	CI_Transport	0	0	0	0	0
233	Forfeited Discounts Gas	480-483	502	rfeited Discounts G	385	54	46	8	4

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation: NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
197	Mains- Direct	404	0	None	0	0	0	0	0
198	Services	404	0	None	0	0	0	0	0
199	Meters	404	0	None	0	0	0	0	0
200	Distr Other	404	0	None	0	0	0	0	0
201	General Plant	404	0	SUPPLABOR-E	0	0	0	0	0
202	Rent from Gas Ppty / Other Rev	404	0	None	0	0	0	0	0
203	Adjustments		0	None	0	0	0	0	0
204	Total - DEPRECIATION EXPENSE	403	0		0	0	0	0	0
205									
206	VII. TAXES OTHER THAN INCOME TAXE								
207									
208	Property Tax- Plant		0	None	0	0	0	0	0
209	Distribution Tax		0	RATEBASE	0	0	0	0	0
210	Payroll related		0	SUPPLABOR-E	0	0	0	0	0
211	Other taxes		0	None	0	0	0	0	0
212	Property Tax- Inventory		0	Gas_Deliveries	0	0	0	0	0
213	Subtotal- Taxes Other Than Income Taxes	408	0		0	0	0	0	0
214									
215	B. Franchise and Revenue Taxes								
216	Gross Receipts Tax		0	SUPP-E_Rev_GRT	0	0	0	0	0
217	GRT- Uncoll Rider		0	None	0	0	0	0	0
218	Subtotal- Franchise and Gross Receipts Ta		0		0	0	0	0	0
219									
220	C. Income Tax Expense								
221	State Income Tax expense		53	PreTax-Supp-E	(4)	(27)	(5)	(31)	0
222	Federal Income Tax Deferred		0	PreTax-Supp-E	0	0	0	0	0
223	Federal Income Tax expense		339	PreTax-Supp-E	(24)	(169)	(35)	(194)	0
224	Subtotal- Income tax expense		392		(28)	(195)	(40)	(225)	0
225	Total- TAX EXPENSE		392		(28)	(195)	(40)	(225)	0
226									
227	TOTAL EXPENSES		96,422		1,349	4,212	884	5,261	0
228									
229	V. REVENUES at Present Rates								
230	Residential	480-483	62,401	Res_Rev	0	0	0	0	0
231	Comm - Indust Sales	480-483	24,872	CI_Bundled	898	1,120	243	1,703	0
232	Comm - Indust Transport	480-483	14,264	CI_Transport	0	0	0	0	0
233	Forfeited Discounts Gas	480-483	502	rfeited Discounts G	1	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor	SUPPLY COMMODITY Class Allocation			
				Embedded	N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
197	Mains- Direct	404	0	None	0	0	0	0
198	Services	404	0	None	0	0	0	0
199	Meters	404	0	None	0	0	0	0
200	Distr Other	404	0	None	0	0	0	0
201	General Plant	404	0	SUPPLABOR-E	0	0	0	0
202	Rent from Gas Ppty / Other Rev	404	0	None	0	0	0	0
203	Adjustments		0	None	0	0	0	0
204	Total - DEPRECIATION EXPENSE	403	0		0	0	0	0
205								
206	VII. TAXES OTHER THAN INCOME TAXE							
207								
208	Property Tax- Plant		0	None	0	0	0	0
209	Distribution Tax		0	RATEBASE	0	0	0	0
210	Payroll related		0	SUPPLABOR-E	0	0	0	0
211	Other taxes		0	None	0	0	0	0
212	Property Tax- Inventory		0	Gas_Deliveries	0	0	0	0
213	Subtotal- Taxes Other Than Income Taxes	408	0		0	0	0	0
214								
215	B. Franchise and Revenue Taxes							
216	Gross Receipts Tax		0	SUPP-E_Rev_GRT	0	0	0	0
217	GRT- Uncoll Rider		0	None	0	0	0	0
218	Subtotal- Franchise and Gross Receipts Ta		0		0	0	0	0
219								
220	C. Income Tax Expense							
221	State Income Tax expense		53	PreTax-Supp-E	29	6	67	14
222	Federal Income Tax Deferred		0	PreTax-Supp-E	0	0	0	0
223	Federal Income Tax expense		339	PreTax-Supp-E	183	35	429	87
224	Subtotal- Income tax expense		392		212	41	496	101
225	Total- TAX EXPENSE		392		212	41	496	101
226								
227	TOTAL EXPENSES		96,422		212	41	496	101
228								
229	V. REVENUES at Present Rates							
230	Residential	480-483	62,401	Res_Rev	0	0	0	0
231	Comm - Indust Sales	480-483	24,872	CI_Bundled	0	0	0	0
232	Comm - Indust Transport	480-483	14,264	CI_Transport	3,552	689	8,334	1,689
233	Forfeited Discounts Gas	480-483	502	rfeited Discounts G	2	0	1	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
234	Returned Check Chgs Gas	480-483	71	urned Check Chgs (	55	8	7	1	1
235	Reconnect Charges Gas	480-484	359	:onnect Charges G	276	39	33	5	3
236	Tax Remuneration Gas	480-485	160	ax Remuneration G	87	11	20	3	10
237	Misc Revenue	480-485	0	Delivery_Rev	0	0	0	0	0
238	Gas Revenue	480-483	0	Gas_Rev	0	0	0	0	0
239	Rent from Gas Ppty / Other Rev	495	0	SUPPLABOR-E	0	0	0	0	0
240	Subtotal Gas Revenues, net		102,628		56,346	6,970	12,608	1,783	6,658
241									
242	Non-Operating Income	418-421	0	None	0	0	0	0	0
243	Non-Operating Income	426	0	None	0	0	0	0	0
244	Total Non-Oper Income		0		0	0	0	0	0
245									
246	Total Revenue		102,628		56,346	6,970	12,608	1,783	6,658
247									
248	Total Expenses		96,422		52,885	7,332	12,095	1,950	9,605
249									
250	NET INCOME at Present Rates		6,206		3,460	(362)	513	(167)	(2,947)

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation				
					NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
234	Returned Check Chgs Gas	480-483	71	urned Check Chgs (	0	0	0	0	0
235	Reconnect Charges Gas	480-484	359	:onnect Charges G	0	0	0	0	0
236	Tax Remuneration Gas	480-485	160	ax Remuneration Ga	1	2	0	3	0
237	Misc Revenue	480-485	0	Delivery_Rev	0	0	0	0	0
238	Gas Revenue	480-483	0	Gas_Rev	0	0	0	0	0
239	Rent from Gas Ppty / Other Rev	495	0	SUPPLABOR-E	0	0	0	0	0
240	Subtotal Gas Revenues, net		102,628		901	1,122	244	1,705	0
241									
242	Non-Operating Income	418-421	0	None	0	0	0	0	0
243	Non-Operating Income	426	0	None	0	0	0	0	0
244	Total Non-Oper Income		0		0	0	0	0	0
245									
246	Total Revenue		102,628		901	1,122	244	1,705	0
247									
248	Total Expenses		96,422		1,349	4,212	884	5,261	0
249									
250	NET INCOME at Present Rates		6,206		(447)	(3,090)	(640)	(3,556)	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	SUPPLY COMMODITY Dollars	Allocation Factor Embedded	SUPPLY COMMODITY Class Allocation			
					N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
234	Returned Check Chgs Gas	480-483	71	urned Check Chgs (	0	0	0	0
235	Reconnect Charges Gas	480-484	359	:onnect Charges G	2	0	0	0
236	Tax Remuneration Gas	480-485	160	ax Remuneration Ga	6	1	13	3
237	Misc Revenue	480-485	0	Delivery_Rev	0	0	0	0
238	Gas Revenue	480-483	0	Gas_Rev	0	0	0	0
239	Rent from Gas Ppty / Other Rev	495	0	SUPPLABOR-E	0	0	0	0
240	Subtotal Gas Revenues, net		102,628		3,562	691	8,348	1,692
241								
242	Non-Operating Income	418-421	0	None	0	0	0	0
243	Non-Operating Income	426	0	None	0	0	0	0
244	Total Non-Oper Income		0		0	0	0	0
245								
246	Total Revenue		102,628		3,562	691	8,348	1,692
247								
248	Total Expenses		96,422		212	41	496	101
249								
250	NET INCOME at Present Rates		6,206		3,350	649	7,852	1,591

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	STORAGE DEMAND Dollars	Allocation Factor Embedded	STORAGE DEMAND Class Allocation				
				N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
				3	4	5	6	7
I. GAS PLANT IN SERVICE								
Organization	301	0	TOTALPLANT	0	0	0	0	0
Franchises & Consents	302	0	TOTALPLANT	0	0	0	0	0
Subtotal - INTANGIBLE ASSETS	301-303	0		0	0	0	0	0
B. PRODUCTION PLANT								
Production Plant	304-338	0	None	0	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0		0	0	0	0	0
C. STORAGE PLANT								
Storage Plant	360-365	0	None	0	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0		0	0	0	0	0
D. TRANSMISSION PLANT	365-369	0	None	0	0	0	0	0
E. DISTRIBUTION PLANT								
Land and Land Rights	374	0	None	0	0	0	0	0
Structures and Improvements	375	0	None	0	0	0	0	0
Mains	376	0	None	0	0	0	0	0
Meas. & Reg. Stat. Equip. - General	378	0	None	0	0	0	0	0
Meas. & Reg. Stat. Equip. - City Gate	379	0	None	0	0	0	0	0
Services	380	0	None	0	0	0	0	0
Meters	381	0	None	0	0	0	0	0
House Regulators	383	0	None	0	0	0	0	0
Ind. Meas. & Reg. Station Equip.	385	0	None	0	0	0	0	0
Other Equipment	387	0	None	0	0	0	0	0
Subtotal - DISTRIBUTION PLANT	374-387	0		0	0	0	0	0
F. GENERAL PLANT								
Land and Land Rights	389	0	STORLABOR-D	0	0	0	0	0
Structures and Improvements	390	0	STORLABOR-D	0	0	0	0	0
Office Furniture and Equipment	391	0	STORLABOR-D	0	0	0	0	0
Office Furniture and Equipment - C	391C	0	STORLABOR-D	0	0	0	0	0
Transportation Equipment	392	0	STORLABOR-D	0	0	0	0	0
Stores Equipment	393	0	STORLABOR-D	0	0	0	0	0
Tools & Garage Equipment	394	0	STORLABOR-D	0	0	0	0	0
Laboratory Equipment	395	0	STORLABOR-D	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	STORAGE DEMAND Dollars	Allocation Factor Embedded	STORAGE DEMAND Class Allocation				
				NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
				8	9	10	11	12
I. GAS PLANT IN SERVICE								
Organization	301	0	TOTALPLANT	0	0	0	0	0
Franchises & Consents	302	0	TOTALPLANT	0	0	0	0	0
Subtotal - INTANGIBLE ASSETS	301-303	0		0	0	0	0	0
B. PRODUCTION PLANT								
Production Plant	304-338	0	None	0	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0		0	0	0	0	0
C. STORAGE PLANT								
Storage Plant	360-365	0	None	0	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0		0	0	0	0	0
D. TRANSMISSION PLANT	365-369	0	None	0	0	0	0	0
E. DISTRIBUTION PLANT								
Land and Land Rights	374	0	None	0	0	0	0	0
Structures and Improvements	375	0	None	0	0	0	0	0
Mains	376	0	None	0	0	0	0	0
Meas. & Reg. Stat. Equip. - General	378	0	None	0	0	0	0	0
Meas. & Reg. Stat. Equip. - City Gate	379	0	None	0	0	0	0	0
Services	380	0	None	0	0	0	0	0
Meters	381	0	None	0	0	0	0	0
House Regulators	383	0	None	0	0	0	0	0
Ind. Meas. & Reg. Station Equip.	385	0	None	0	0	0	0	0
Other Equipment	387	0	None	0	0	0	0	0
Subtotal - DISTRIBUTION PLANT	374-387	0		0	0	0	0	0
F. GENERAL PLANT								
Land and Land Rights	389	0	STORLABOR-D	0	0	0	0	0
Structures and Improvements	390	0	STORLABOR-D	0	0	0	0	0
Office Furniture and Equipment	391	0	STORLABOR-D	0	0	0	0	0
Office Furniture and Equipment - C	391C	0	STORLABOR-D	0	0	0	0	0
Transportation Equipment	392	0	STORLABOR-D	0	0	0	0	0
Stores Equipment	393	0	STORLABOR-D	0	0	0	0	0
Tools & Garage Equipment	394	0	STORLABOR-D	0	0	0	0	0
Laboratory Equipment	395	0	STORLABOR-D	0	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	STORAGE DEMAND Dollars	Allocation Factor Embedded	STORAGE DEMAND Class Allocation			
				N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
				13	14	15	16
I. GAS PLANT IN SERVICE							
Organization	301	0	TOTALPLANT	0	0	0	0
Franchises & Consents	302	0	TOTALPLANT	0	0	0	0
Subtotal - INTANGIBLE ASSETS	301-303	0		0	0	0	0
B. PRODUCTION PLANT							
Production Plant	304-338	0	None	0	0	0	0
Subtotal - PRODUCTION PLANT	304-338	0		0	0	0	0
C. STORAGE PLANT							
Storage Plant	360-365	0	None	0	0	0	0
Subtotal - STORAGE PLANT	360-366	0		0	0	0	0
D. TRANSMISSION PLANT	365-369	0	None	0	0	0	0
E. DISTRIBUTION PLANT							
Land and Land Rights	374	0	None	0	0	0	0
Structures and Improvements	375	0	None	0	0	0	0
Mains	376	0	None	0	0	0	0
Meas. & Reg. Stat. Equip. - General	378	0	None	0	0	0	0
Meas. & Reg. Stat. Equip. - City Gate	379	0	None	0	0	0	0
Services	380	0	None	0	0	0	0
Meters	381	0	None	0	0	0	0
House Regulators	383	0	None	0	0	0	0
Ind. Meas. & Reg. Station Equip.	385	0	None	0	0	0	0
Other Equipment	387	0	None	0	0	0	0
Subtotal - DISTRIBUTION PLANT	374-387	0		0	0	0	0
F. GENERAL PLANT							
Land and Land Rights	389	0	STORLABOR-D	0	0	0	0
Structures and Improvements	390	0	STORLABOR-D	0	0	0	0
Office Furniture and Equipment	391	0	STORLABOR-D	0	0	0	0
Office Furniture and Equipment - C	391C	0	STORLABOR-D	0	0	0	0
Transportation Equipment	392	0	STORLABOR-D	0	0	0	0
Stores Equipment	393	0	STORLABOR-D	0	0	0	0
Tools & Garage Equipment	394	0	STORLABOR-D	0	0	0	0
Laboratory Equipment	395	0	STORLABOR-D	0	0	0	0

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	STORAGE DEMAND Dollars	Allocation Factor Embedded	STORAGE DEMAND Class Allocation				
					N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
					3	4	5	6	7
49	Power Operated Equipment	396	0	STORLABOR-D	0	0	0	0	0
50	Common Property	397	0	STORLABOR-D	0	0	0	0	0
51	Miscellaneous Equipment	398	0	STORLABOR-D	0	0	0	0	0
52	Subtotal - GENERAL PLANT	389-399	0		0	0	0	0	0
53									
54	TOTAL UTILITY PLANT		0		0	0	0	0	0
55									
56	II. DEPRECIATION RESERVE								
57	Intangible Plant	108	0	STORPT-D	0	0	0	0	0
58	Production Plant	108	0	None	0	0	0	0	0
59	Local Storage Plant	108	0	None	0	0	0	0	0
60	Transmission Plant	108	0	None	0	0	0	0	0
61	Mains	109	0	None	0	0	0	0	0
62	Mains- Direct Assignment	109	0	None	0	0	0	0	0
63	Services	109	0	None	0	0	0	0	0
64	Meters	109	0	None	0	0	0	0	0
65	Distr Other	109	0	None	0	0	0	0	0
66	General Plant	109	0	STORLABOR-D	0	0	0	0	0
67	TOTAL - DEPRECIATION RESERVE	108	0		0	0	0	0	0
68									
69	III. OTHER RATE BASE ITEMS								
70	Gas Storage Inventory		6,572,717	Winter4	3,756,613	548,500	888,575	150,465	602,171
71	Materials & Supplies - 13 Mo Avg		0	STORPT-D	0	0	0	0	0
72	Customer Deposits		0	STORPT-D	0	0	0	0	0
73	Customer Advances for Construction		0	STORPT-D	0	0	0	0	0
74	Accum Defd Inc Taxes- Gas Inventory		0	Winter4	0	0	0	0	0
75	Accum Defd Inc Taxes- Plant		0	STORPT-D	0	0	0	0	0
76	Other Gas-related		0	Winter4	0	0	0	0	0
77	Other Plant-related		0	STORLABOR-D	0	0	0	0	0
78	Other labor-related		0	None	0	0	0	0	0
79	Total - OTHER RATE BASE ITEMS		6,572,717		3,756,613	548,500	888,575	150,465	602,171
80									
81	IV. TOTAL RATE BASE (Excl. Working Ca		6,572,717		3,756,613	548,500	888,575	150,465	602,171
82	Working Capital	131	0	None	0	0	0	0	0
83									
84	V. TOTAL RATE BASE		6,572,717		3,756,613	548,500	888,575	150,465	602,171
85									

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	STORAGE DEMAND Dollars	Allocation Factor Embedded	STORAGE DEMAND Class Allocation				
					NW- Sm Vol Firm-SVF	N&S- Lg Vol Firm-LVF	NW- Lg Vol Firm-LVF	N&S- Lg Vol Int-LVI	NW- Lg Vol Int-LVI
					8	9	10	11	12
49	Power Operated Equipment	396	0	STORLABOR-D	0	0	0	0	0
50	Common Property	397	0	STORLABOR-D	0	0	0	0	0
51	Miscellaneous Equipment	398	0	STORLABOR-D	0	0	0	0	0
52	Subtotal - GENERAL PLANT	389-399	0		0	0	0	0	0
53									
54	TOTAL UTILITY PLANT		0		0	0	0	0	0
55									
56	II. DEPRECIATION RESERVE								
57	Intangible Plant	108	0	STORPT-D	0	0	0	0	0
58	Production Plant	108	0	None	0	0	0	0	0
59	Local Storage Plant	108	0	None	0	0	0	0	0
60	Transmission Plant	108	0	None	0	0	0	0	0
61	Mains	109	0	None	0	0	0	0	0
62	Mains- Direct Assignment	109	0	None	0	0	0	0	0
63	Services	109	0	None	0	0	0	0	0
64	Meters	109	0	None	0	0	0	0	0
65	Distr Other	109	0	None	0	0	0	0	0
66	General Plant	109	0	STORLABOR-D	0	0	0	0	0
67	TOTAL - DEPRECIATION RESERVE	108	0		0	0	0	0	0
68									
69	III. OTHER RATE BASE ITEMS								
70	Gas Storage Inventory		6,572,717	Winter4	89,952	237,181	52,255	247,004	0
71	Materials & Supplies - 13 Mo Avg		0	STORPT-D	0	0	0	0	0
72	Customer Deposits		0	STORPT-D	0	0	0	0	0
73	Customer Advances for Construction		0	STORPT-D	0	0	0	0	0
74	Accum Defd Inc Taxes- Gas Inventory		0	Winter4	0	0	0	0	0
75	Accum Defd Inc Taxes- Plant		0	STORPT-D	0	0	0	0	0
76	Other Gas-related		0	Winter4	0	0	0	0	0
77	Other Plant-related		0	STORLABOR-D	0	0	0	0	0
78	Other labor-related		0	None	0	0	0	0	0
79	Total - OTHER RATE BASE ITEMS		6,572,717		89,952	237,181	52,255	247,004	0
80									
81	IV. TOTAL RATE BASE (Excl. Working Ca		6,572,717		89,952	237,181	52,255	247,004	0
82	Working Capital	131	0	None	0	0	0	0	0
83									
84	V. TOTAL RATE BASE		6,572,717		89,952	237,181	52,255	247,004	0
85									

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

	Account Description	Account Code	STORAGE DEMAND Dollars	Allocation Factor Embedded	STORAGE DEMAND Class Allocation			
					N&S- Tran Sm Vol-SVTS	NW- Tran Sm Vol-SVTS	N&S- Tran Lg Vol-LVTS	NW- Tran Lg Vol-LVTS
					13	14	15	16
49	Power Operated Equipment	396	0	STORLABOR-D	0	0	0	0
50	Common Property	397	0	STORLABOR-D	0	0	0	0
51	Miscellaneous Equipment	398	0	STORLABOR-D	0	0	0	0
52	Subtotal - GENERAL PLANT	389-399	0		0	0	0	0
53								
54	TOTAL UTILITY PLANT		0		0	0	0	0
55								
56	II. DEPRECIATION RESERVE							
57	Intangible Plant	108	0	STORPT-D	0	0	0	0
58	Production Plant	108	0	None	0	0	0	0
59	Local Storage Plant	108	0	None	0	0	0	0
60	Transmission Plant	108	0	None	0	0	0	0
61	Mains	109	0	None	0	0	0	0
62	Mains- Direct Assignment	109	0	None	0	0	0	0
63	Services	109	0	None	0	0	0	0
64	Meters	109	0	None	0	0	0	0
65	Distr Other	109	0	None	0	0	0	0
66	General Plant	109	0	STORLABOR-D	0	0	0	0
67	TOTAL - DEPRECIATION RESERVE	108	0		0	0	0	0
68								
69	III. OTHER RATE BASE ITEMS							
70	Gas Storage Inventory		6,572,717	Winter4	0	0	0	0
71	Materials & Supplies - 13 Mo Avg		0	STORPT-D	0	0	0	0
72	Customer Deposits		0	STORPT-D	0	0	0	0
73	Customer Advances for Construction		0	STORPT-D	0	0	0	0
74	Accum Defd Inc Taxes- Gas Inventory		0	Winter4	0	0	0	0
75	Accum Defd Inc Taxes- Plant		0	STORPT-D	0	0	0	0
76	Other Gas-related		0	Winter4	0	0	0	0
77	Other Plant-related		0	STORLABOR-D	0	0	0	0
78	Other labor-related		0	None	0	0	0	0
79	Total - OTHER RATE BASE ITEMS		6,572,717		0	0	0	0
80								
81	IV. TOTAL RATE BASE (Excl. Working Ca		6,572,717		0	0	0	0
82	Working Capital	131	0	None	0	0	0	0
83								
84	V. TOTAL RATE BASE		6,572,717		0	0	0	0
85								

THE EMPIRE DISTRICT GAS COMPANY
Class Cost of Service Study
Test Year Ended Dec. 31, 2008

Account Description	Account Code	STORAGE DEMAND Dollars	Allocation Factor Embedded	STORAGE DEMAND Class Allocation				
				N&S- Res-RS	NW- Res-RS	N&S- Sm Comm-SCF	NW- Sm Comm-SCF	N&S- Sm Vol Firm-SVF
				3	4	5	6	7
I. OPERATION & MAINTENANCE EXPEN								
A. PRODUCTION EXPENSES								
1. Manufactured Gas Production								
Operations Labor	701	0	None	0	0	0	0	0
Operation Supv and Engineering	710	0	None	0	0	0	0	0
LNG Expense	717	0	None	0	0	0	0	0
Subtotal - O&M Accounts 701-716	710-716	0		0	0	0	0	0
Maint. of Structure & Improvements	741	0	None	0	0	0	0	0
Maint Production Equipment	742	0	None	0	0	0	0	0
Subtotal - O&M Accounts 717-742	717-742	0	None	0	0	0	0	0
Subtotal - Manufactured Gas Production	710-742	0		0	0	0	0	0
2. Other Gas Supply Expenses								
Natural Gas City Gate Purchases	804	0	None	0	0	0	0	0
Other Natural Gas Purchases	805	0	None	0	0	0	0	0
Natural Gas W/D from Storage- Gas Repo	808	0	None	0	0	0	0	0
Gas Used for Other Util Operations	812	0	None	0	0	0	0	0
LNG Operating Expenses	813	0	None	0	0	0	0	0
Subtotal - PRODUCTION EXPENSES	710-813	0		0	0	0	0	0
B. NATURAL GAS STORAGE, TERMINAL								
Energy Trading & Accounting	844	0	None	0	0	0	0	0
Subtotal - NATURAL GAS STORAGE	840-850	0		0	0	0	0	0
C. TRANSMISSION EXPENSES	851-870	0	None	0	0	0	0	0
D. DISTRIBUTION EXPENSES								
Mains and Services Expenses	874	0	None	0	0	0	0	0
Perf Distrib Main Locates	874	0	None	0	0	0	0	0
Routine Leak Surv Mains & SVCS	874	0	None	0	0	0	0	0
Meas. & Reg. Station Expense General	875	0	None	0	0	0	0	0
Meas. & Reg. Station Expense Industrial	876	0	None	0	0	0	0	0
Meas. & Reg. Station Expense Stat-City G	877	0	None	0	0	0	0	0
Meter & House Regulator Expenses	878	0	None	0	0	0	0	0
Perf Connects/Discon/Recon-Gas	878	0	None	0	0	0	0	0
Customer Install	879	0	None	0	0	0	0	0
Other expenses	880	0	None	0	0	0	0	0