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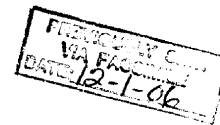
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ROBERT A. ANDERSON
(1920-1994)
RICHARD C. BYRD
RETIRED

December 1, 2006

***THIS FILING CONTAINS
CONFIDENTIAL INFORMATION***

Ms. Susan K. Duffy
Executive Director
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027



Re: The Empire District Electric Company
Annual Energy Cost Adjustment Filing
Docket No. 06-EPDE-1016-EPR

STATE CORPORATION COMMISSION

DEC 01 2006

Susan K. Duffy Docket Room

Dear Ms. Duffy:

Attached to this letter is the annual calculation of the (over)/under recovery of energy costs for the Energy Cost Adjustment ("ECA") year ending October 31, 2006, the annual calculation of over/(under) refund of the prior year's off-system sales margins (Kansas jurisdictional) that flow through the ECA, and the annual forecast of energy costs for the upcoming calendar year 2007.

The annual calculation of actual energy costs (over)/under recovery differs from that previously forwarded monthly to the staff of the Kansas Corporation Commission for several reasons. The primary difference is related to the month of January 2006. The monthly ECA filing made by The Empire District Electric Company ("Empire") that displayed the January 2006 activity was incorrect. The initial monthly filing related to the January 2006 (over)/under recovery only included a partial month of the January energy costs that are eligible for recovery under the Kansas ECA. This resulted in an understatement of the under recovery of January 2006 energy costs in the prior monthly filing. The annual (over)/under recovery analysis attached to this letter includes a full month of January 2006 energy costs eligible for ECA recovery and corrects this error. In addition to the inclusion of a full month of January 2006 energy costs, the annual reconciliation includes corrections to eligible ECA energy costs related to fuel handling that flow through account 501 and 547 fuel and a correction made to the net cost of hydro energy sold off-system to eliminate a double counting of the hydro energy costs related to off-system sales.

Empire has also attached to this letter, summaries of the monthly energy costs forecast for the upcoming calendar year 2007. In addition to these monthly summaries, Empire will forward a

Ms. Susan K. Duffy
Page 2
December 1, 2006

spreadsheet to the Commission staff that will display the details behind the 2007 energy cost forecast. The information included in the energy cost forecast is Highly Confidential and Empire requests that it be treated as Highly Confidential by the Kansas Corporation Commission staff pursuant to the terms of the Protective Order issued on March 22, 2006, in the above-referenced docket. The information is confidential because it is information that has not been disclosed to the public and if disclosed, could place Empire at a competitive disadvantage in negotiating future fuel contracts. Included in the information on this spreadsheet will be information such as the following for each supply resource:

- Hours of operation
- Fuel cost in total and by fuel type
- Capacity factor
- Heat rate
- Starts
- MWH of output
- Fuel cost per MWH and MMBtu
- Unit Outage Schedules
- Natural gas price assumptions for 2007

In general terms the fuel model for the 2007 Kansas ECA produced an expected natural gas burn of 10.3 million MMBtus. Empire has already procured 5.3 million MMBtus of physical natural gas at fixed prices for use in calendar year 2007. In addition, Empire currently has in place financial instruments that fix the price of an additional 2.7 million MMBtus of natural gas. In total Empire has already locked in the price associated with approximately 78 percent of its expected natural gas requirements for calendar year 2007. The remaining 23 percent of Empire's natural gas requirements are expected to be met using spot purchases. This general approach to the purchase of natural gas is subject to modification if conditions cause a significant change in the expected natural gas consumption.

Please contact Scott Keith at Empire if you have any questions concerning the information attached to this letter.

Sincerely,



James G. Flaherty
jflaherty@andersonbyrd.com

JGF:rr
Enclosure
cc: W. Scott Keith
Otto Newton

**Empire District Electric Co.
Annual ACA Calculation
For The ECA Year Ending 12/31/2007**

Schedule 1

	January-07	February-07	March-07	April-07	May-07	June-07	July-07	August-07	September-07	October-07	November-07	December-07
Fuel	11,949,270	9,875,970	9,295,938	6,417,151	7,696,169	10,055,529	14,037,263	13,673,596	8,988,901	8,670,679	9,296,266	9,363,547
Purchased Power	5,677,981	5,604,981	3,816,834	3,650,834	3,394,834	4,006,834	3,498,384	3,620,384	4,981,384	6,146,834	4,634,834	4,369,400
Interchange	(915,576)	(1,062,529)	(1,182,615)	(567,655)	(570,892)	(708,133)	(1,169,379)	(1,182,956)	(1,321,850)	(237,903)	(634,818)	(789,687)
Emission Allowance	0	0	0	0	0	0	0	0	0	0	0	0
Total ECA Eligible Costs	25,255,000	21,328,000	21,217,000	17,983,000	19,797,000	23,966,000	30,561,000	29,887,000	22,761,000	19,463,000	20,887,000	23,894,000
Kansas ECA Billed KWH	481,719,000	408,715,000	404,123,000	355,080,000	379,215,000	439,506,000	529,077,000	521,914,000	411,124,000	376,679,000	390,949,000	461,999,000
Total Company Billed KWH	5.24%	5.22%	5.25%	5.06%	5.22%	5.45%	5.78%	5.73%	5.54%	5.17%	5.34%	5.17%
Kansas Jurisdiction Factor	3.469	3.528	2.952	2.676	2.774	3.038	3.093	3.087	3.077	3.871	3.401	2.802
Average Cost per KWH Sold-Kansas	(0.077)	(0.077)	(0.077)	(0.077)	(0.077)	(0.077)	(0.077)	(0.077)	(0.077)	(0.077)	(0.077)	(0.077)
Credit for Off-system Sales Profits	0.264	0.264	0.264	0.264	0.264	0.264	0.264	0.264	0.264	0.264	0.264	0.264
Annual Settlement Factor	3.656	3.715	3.139	2.863	2.961	3.225	3.280	3.274	3.264	4.058	3.588	2.989
Total ECA per KWH Sold-Kansas												

STATE CORPORATION COMMISSION

DEC 01 2006

Spencer Delaney
Docket Room

**Empire District Electric Co.
Annual ACA Calculation
For Year Ending 10/31/2006**

Schedule 2

	Nov	Dec	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Total	
Fuel	F=		\$ 4,379,817.44	\$ 7,758,446.00	\$ 8,741,244.62	\$ 5,297,537.92	\$ 7,110,468.11	\$ 10,375,889.54	\$ 12,526,874.96	\$ 15,342,114.62	\$ 5,910,842.13	\$ 5,267,216.65	\$ 82,710,451.99	
Purchased Power	P=		5,764,881.76	5,631,119.75	4,015,269.00	3,368,137.04	3,222,817.56	3,045,610.30	3,397,195.12	3,177,699.85	3,561,454.15	4,016,034.69	39,200,219.22	
Interchange	NI=		(84,608.61)	(65,396.93)	(624,697.26)	(511,527.63)	(646,681.42)	(1,166,847.22)	(968,663.70)	(847,674.65)	(373,599.43)	(429,367.20)	(5,719,064.05)	
Emission Allowance	E=		-	-	-	-	-	-	-	-	-	-	-	
Total ECA Eligible Costs			<u>\$ 10,060,090.59</u>	<u>\$ 13,324,168.82</u>	<u>\$ 12,131,816.36</u>	<u>\$ 8,154,147.33</u>	<u>\$ 9,686,604.25</u>	<u>\$ 12,254,652.62</u>	<u>\$ 14,955,406.38</u>	<u>\$ 17,672,139.82</u>	<u>\$ 9,098,696.85</u>	<u>\$ 8,853,884.14</u>	<u>\$ 116,191,607.16</u>	
Kansas ECA Billed KWH (A)	S=	0	0	10,617,705	18,872,811	19,976,195	16,617,019	15,788,326	20,415,392	23,643,358	26,419,855	24,253,874	17,384,006	193,988,541
Kansas Billed KWH		16,314,111	19,701,492	22,945,355	18,872,811	19,976,195	16,617,019	15,788,326	20,415,392	23,643,358	26,419,855	24,253,874	17,384,006	242,331,794
Total Company Billed KWH		325,122,602	403,732,631	370,644,925	358,340,411	367,978,417	332,748,932	329,745,269	394,246,595	458,829,989	492,164,441	443,749,075	333,343,673	4,610,646,960
Kansas Jurisdiction Factor	KF=	5.018%	4.880%	6.191%	5.267%	5.429%	4.994%	4.788%	5.178%	5.153%	5.368%	5.466%	5.215%	5.256%
Kansas Costs Eligible for ECA Recovery			\$ 622,785.68	\$ 701,747.99	\$ 658,591.69	\$ 407,206.78	\$ 463,798.21	\$ 634,586.42	\$ 770,647.16	\$ 948,657.26	\$ 497,305.03	\$ 461,733.60	\$ 6,167,059.42	
ECA Revenue			343,907.46	586,944.42	646,229.91	335,497.61	344,974.92	578,163.90	723,723.19	842,793.37	714,276.59	377,754.45	5,494,265.82	
(Over)/Under Recovery			<u>\$ 278,878.22</u>	<u>\$ 114,803.17</u>	<u>\$ 12,361.78</u>	<u>\$ 71,709.17</u>	<u>\$ 118,823.29</u>	<u>\$ 56,422.52</u>	<u>\$ 46,923.97</u>	<u>\$ 105,863.89</u>	<u>\$ (216,971.56)</u>	<u>\$ 83,979.15</u>	<u>\$ 672,793.60</u>	
Annual Settlement Factor (Over)/Under	ACA=													
Off System Profit Factor "D" Over/(Under)	OAV=												(34,227.53)	
Total (Over)/Under Recovery Amount For ACA													<u>\$ 638,566.07</u>	
New ACA Rate													\$ per KWH <u>\$ 0.00264</u>	
New D Factor for Upcoming ECA Year													\$ per KWH <u>\$ (0.00077)</u>	

Note A The Kansas ECA became effective on January 2, 2006. The January ECA rate was effective with usage on and after January 2, 2006.

Reconciliation to Summary of Fuel & Purchase Power Report

Total Generation	\$ 4,295,208.83	\$ 7,693,049.07	\$ 8,118,838.36	\$ 4,787,821.29	\$ 6,466,945.69	\$ 9,250,372.86	\$ 11,580,387.26	\$ 14,497,964.97	\$ 5,538,139.70	\$ 4,874,343.70	\$ 77,103,071.73
Direct Purchase Energy	\$ 5,764,881.76	\$ 5,631,119.75	\$ 4,012,978.00	\$ 3,366,326.04	\$ 3,219,658.56	\$ 3,004,279.76	\$ 3,375,019.12	\$ 3,174,174.85	\$ 3,560,557.15	\$ 3,979,540.44	\$ 39,088,535.43
Total Company Recoverable F&PP	\$ 10,060,090.59	\$ 13,324,168.82	\$ 12,131,816.36	\$ 8,154,147.33	\$ 9,686,604.25	\$ 12,254,652.62	\$ 14,955,406.38	\$ 17,672,139.82	\$ 9,098,696.85	\$ 8,853,884.14	\$ 116,191,607.16
Capacity	\$ 1,349,460.00	\$ 1,349,460.00	\$ 1,349,460.00	\$ 1,349,460.00	\$ 1,349,460.00	\$ 1,349,460.00	\$ 1,349,460.00	\$ 1,349,460.00	\$ 1,349,460.00	\$ 1,349,460.00	\$ 13,494,600.00
Tolling-SWPA	\$ -	\$ 1,877.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,877.50
Auxiliaries-WR	\$ (15,575.16)	\$ (8,582.21)	\$ (8,387.26)	\$ -	\$ (1,150.18)	\$ (3,140.84)	\$ -	\$ -	\$ (5,911.94)	\$ (9,117.47)	\$ (51,865.06)
Total Net System Input	\$ 11,393,975.43	\$ 14,666,924.11	\$ 13,472,889.10	\$ 9,503,607.33	\$ 11,034,914.07	\$ 13,600,971.78	\$ 16,304,866.38	\$ 19,021,599.82	\$ 10,442,244.91	\$ 10,194,226.67	\$ 129,636,219.60

**Empire District Electric Co.
ACA Reconciliation
For Year Ending 10/31/2006**

Schedule 3

	Dec	Nov	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Total
ACA Beginning Balance													
Actual Annual Settlement Factor													
ACA Ending Balance	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Empire District Electric Co.
Off System Profit Factor "D" Reconciliation
For Year Ending 10/31/2006

Schedule 4

		<u>Nov 2005</u>	<u>Dec 2005</u>	<u>Jan 2006</u>	<u>Feb 2006</u>	<u>Mar 2006</u>	<u>Apr 2006</u>	<u>May 2006</u>	<u>Jun 2006</u>	<u>Jul 2006</u>	<u>Aug 2006</u>	<u>Sep 2006</u>	<u>Oct 2006</u>	<u>Total</u>
Kansas ECA Billed KWH	S=	-	-	10,617,705	18,872,811	19,976,195	16,617,019	15,788,326	20,415,392	23,643,358	26,419,855	24,253,874	17,384,006	193,988,541
Total Company Billed KWH		325,122,602	403,732,631	370,644,925	358,340,411	367,978,417	332,748,932	329,745,269	394,246,595	458,829,989	492,164,441	443,749,075	333,343,673	4,610,646,960
Off-system Sales Credit Per KWH				\$ (0.00057)	\$ (0.00057)	\$ (0.00057)	\$ (0.00057)	\$ (0.00057)	\$ (0.00057)	\$ (0.00057)	\$ (0.00057)	\$ (0.00057)	\$ (0.00057)	\$ (0.00057)
Actual Off-sytem Sales Margins Cr. Kansas				\$ (6,052.09)	\$ (10,757.50)	\$ (11,386.43)	\$ (9,471.70)	\$ (8,999.35)	\$ (11,636.77)	\$ (13,476.71)	\$ (15,059.32)	\$ (13,824.71)	\$ (9,908.88)	\$ (110,573.47)
Kansas Off-system Margins	OAV													144,801.00
Over/(Under)														<u>\$ (34,227.53)</u>

**Empire District Electric Co.
Off System Profit Factor "D"
For The ECA Year Ending 10/31/2007**

Schedule 5

	<u>Nov 2005</u>	<u>Dec 2005</u>	<u>Jan 2006</u>	<u>Feb 2006</u>	<u>Mar 2006</u>	<u>Apr 2006</u>	<u>May 2006</u>	<u>Jun 2006</u>	<u>Jul 2006</u>	<u>Aug 2006</u>	<u>Sep 2006</u>	<u>Oct 2006</u>	<u>Total</u>
Kansas Billed KWH	16,314,111	19,701,492	22,945,355	18,872,811	19,976,195	16,617,019	15,788,326	20,415,392	23,643,358	26,419,855	24,253,874	17,384,006	242,331,794
Total Company Billed KWH	325,122,602	403,732,631	370,644,925	358,340,411	367,978,417	332,748,932	329,745,269	394,246,595	458,829,989	492,164,441	443,749,075	333,343,673	4,610,646,960
Kansas Jurisdiction Factor-KF	5.01783%	4.87984%	6.19066%	5.26673%	5.42863%	4.99386%	4.78804%	5.17833%	5.15297%	5.36810%	5.46567%	5.21504%	5.25592%
Actual Off System Sales Margin-Total Company	<u>\$ 346,800.65</u>	<u>\$ 262,057.37</u>	<u>\$ 67,430.00</u>	<u>\$ 32,928.00</u>	<u>\$ 333,310.36</u>	<u>\$ 275,648.61</u>	<u>\$ 369,802.18</u>	<u>\$ 528,686.15</u>	<u>\$ 447,559.88</u>	<u>\$ 397,551.10</u>	<u>\$ 241,092.64</u>	<u>\$ 228,716.49</u>	<u>\$ 3,531,583.43</u>
Kansas Share of Off System Sales Margin-OAV													<u>\$ 185,617.11</u>
Rate per KWH												\$ per KWH	<u>\$ (0.00077)</u>

**On-System F&PP Summary
2007 Kansas ECA Run (Nov-06)**

THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
YEAR OF 2007
Kansas ECA Run (Nov-06)

HIGHLY CONFIDENTIAL

CONFIDENTIAL

THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
JANUARY 2007
Kansas ECA Run (Nov-06)

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THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
FEBRUARY 2007
Kansas ECA Run (Nov-06)

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THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
MARCH 2007
Kansas ECA Run (Nov-06)

THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM

HIGHLY CONFIDENTIAL

APRIL 2007
Kansas ECA Run (Nov-06)

CONFIDENTIAL

THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
MAY 2007
Kansas ECA Run (Nov-06)

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THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM

HIGHLY CONFIDENTIAL

JUNE 2007
Kansas ECA Run (Nov-06)

CONFIDENTIAL

THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM

JULY 2007
Kansas ECA Run (Nov-06)

THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
AUGUST 2007
Kansas ECA Run (Nov-06)

THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
SEPTEMBER 2007
Kansas ECA Run (Nov-06)

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THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
OCTOBER 2007
Kansas ECA Run (Nov-06)

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THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM
NOVEMBER 2007
Kansas ECA Run (Nov-06)

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THE EMPIRE DISTRICT ELECTRIC COMPANY
SUMMARY OF FUEL AND PURCHASED POWER - ON SYSTEM, OFF SYSTEM

HIGHLY CONFIDENTIAL

DECEMBER 2007
Kansas ECA Run (Nov-06)

CONFIDENTIAL