The following are our initial questions concerning the TFR 2015 Update. We anticipate providing additional questions upon the completion of our review.

1. With respect to the 9.5% increase in Transmission Plant, please provide a list (description and associated plant addition in dollars) of the transmission lines and substation additions that were included in Transmission Plant (e.g. see Page 206 of the FERC Form 1 - $26,145,789).

*Response: See accompanying report, Transmission Plant Additions with Project Descriptions 2014, in Microsoft Excel format.*

1. A comparison of year ending balances from the 2014 to 2015 Updates shows that Intangible Plant increased 8%. Please provide an explanation for this increase.

*Response: Intangible additions for 2014 were generally related to continued improvements to the ERP systems and Distributed Control System software major upgrade at the SLCC facility. See accompanying report for details.*

1. A comparison of year ending balances from the 2014 to 2015 Updates and FERC Form 1 data shows that General Plant increased 1.4%, with plant additions of $8,839,606 (page 206, line 99) and plant retirements of $7,731,989 (page 207, line 99). Please provide an explanation for this increase in General Plant.

*Response: Generally speaking the change in plant is related to the replacement of utility vehicles and facilities upgrades completed in 2014.*

1. A comparison of year ending balances from the 2014 to 2015 Updates shows that the Transmission Accumulated Depreciation Reserve increased 1.7%, while Transmission Plant increased 9.5%. Please provide an explanation for the large difference in these increases.

*Response: Depreciation is calculated on all plant in a given deprecation group, not simply the balances added to plant in a given accounting period. As noted in the company’s 2014 10K, the current weighted average depreciation rate for Transmission Plant is currently 2.4%. Accumulated Provision for Depreciation is also offset during the course of normal business by retirement of plant and the closing of Cost of Removal.*

1. A comparison of year ending balances from the 2014 to 2015 Updates shows that the General Plant related Accumulated Depreciation Reserve decreased 6.9%. Please provide an explanation for this decrease in the General Plant Accumulated Depreciation Reserve.

*Response: In 2014, retirements from plant exceeded the increase to reserve through depreciation by approximately $3.2 million. These retirements were generally related to replacement of company vehicles and upgrades to corporate facilities.*

1. A comparison of year ending balances from the 2014 to 2015 Updates shows that the Intangible Plant related Accumulated Depreciation Reserve increased 20.1%. Please provide an explanation for this increase in Intangible Plant Accumulated Depreciation Reserve.

*Response: The comparatively shorter estimated service life for this class of assets results in the reserve account increasing more rapidly compared to other reserve accounts. Recent upgrades to software systems are causing the expense related to this asset class, and consequently the reserve, to be higher compared to several years ago. Additionally, there were no retirements during the period to offset the increase to reserve.*

1. With respect to the information shown on Worksheet A of the 2015 Update, it appears that the “Beginning Balance” instead of the “Ending Balance” was used for the 190, 281, and 282 account numbers. Are these amounts correct?
	1. With respect to Account 190.124 (relates to injuries and damages, bad debts, rate case expense and other), why is this amount allocated as “Non-Transmission” related and not allocated based on “labor”, which would typically be used?

*Response: These relate to smaller miscellaneous book/tax timing differences which relate to company operations as a whole and not to transmission specifically. We believe the nature of the deferred tax items are not appropriate to be “spread” based on a labor allocation.*

* 1. With respect to Account 190.114 (deferred tax asset-regulatory plan amortization), can you please provide a more detailed explanation of this amount and why it was allocated 100% to “Non-Transmission Related?

*Response: This deferred tax relates to Missouri retail jurisdiction only from the 2006 to 2008 time frame.*

* 1. With respect to Account 190.989 (Long term deferred tax asset), the notes included in Worksheet A include the following description “Reclassified to S-T DTL. Please provide a detailed explanation of this amount and why it was allocated 100% to “Non-Transmission Related”?

*Response: This deferred tax is a book only balance sheet reclassification offset by a/c 283.989 in question 9.*

* 1. With respect to Account 190.999 (Current Deferred Tax Asset – NOL I ITC), please provide a detailed explanation of this amount and why it was allocated 100% to “Non-Transmission Related”?

*Response: This deferred tax is also a book only balance sheet reclassification between short term and long term and is offset by a/c 283.989 in question 9.*

*Response: With respect to the information shown on Worksheet A (actually identified as Attachment 1), the inputs for Accounts 190, 281, 282 and 283 are all “Year-End” balances. Page 1, Line 23, Column A of the ATT-1 worksheet shows that the total of the Account 190 values conform to FERC Form 1, Page 234, Line 18, column c. Similar conformity to the FERC Form 1 is also verified on Page 2, Line 13, Column A of ATT-1; and on Page 3, Line 23, of ATT-1.*

1. Please explain the difference between the amount for Account 282.200 included in Worksheet A of the 2015 Update ($1,632,557) and the amount on Line 4 of Page 275 of the FERC Form 1 ($1,644,751).

*Response: The difference relates to a non-utility deferred tax amount ($12,194) and water deferred tax which is expected to be resolved in 2015. We expect the water deferred tax per general ledger and FERC Form 1 line 4 to be the same at the end of 2015.*

1. With respect to Account 283.366 (Def Tax - ITC Tax Basis Reduction - Iatan 2), Account 283.915 (Deferred Income Tax - FAS 109), and 283-989 (Long-Term Def Tax Asset), please provide a detailed explanation of these amounts and why they were allocated 100% to “Non-Transmission Related”?

*Response: A/C 283.366 relates to the required basis reduction due to ITC taken at our Iatan II generation station and is therefore not transmission related. A/C 283915 relates to unrecovered Missouri jurisdictional deferred taxes only. A/C 283.989 is an accounting only deferred tax as described above in 7c and 7d.*

1. Pleases explain why transmission salaries and wages increased 17.9% (Amounts from FERC Form 1: $2,349,307 in 2013 to $2,770,590 in 2014)?

*Response: This was due to a desire to improve the reliability of the transmission system which includes improving our annual patrol of the transmission lines to include infrared inspection. Issues found with this inspection required corrective action. Also, due to the reliability program, we have increase our efforts to inspect substation equipment and are also stepping up our maintenance programs as well which includes internal inspections and repairs of transmission transformer tap changers.*

*In addition, there were several storms on the Empire System including the Baxter Springs tornado which were significant but required less support from contractors as had been utilized in the past. This inflated the payroll costs.*

1. Please explain why Industry Association Dues (Account 930.2 – Page 355, line 1 of the FERC Form 1) was not excluded in the calculation of Administrative and General Expenses in Appendix A, lines 54 – 60, of the 2015 Annual Update?

*Response: The current TFR Template , which was derived and approved through a formal FERC Docket (ER12-1813) which included many Technical Sessions and Settlement Discussions and does not contemplate the exclusion of the “Industry Association Dues” from the A&G Expenses. However, there are adjustments for PBOP’s, certain Regulatory expenses, and certain advertising expenses, as displayed in lines 54 through 65 of Appendix A of the Template.*

1. With regard to NERC’s annual assessment of membership dues and fees to Empire for calendar year 2014, please provide the following. Also, provide the same information pertaining to the annual assessment by SPP.
	1. The amount of such dues and fees.
	2. A detailed explanation of basis for (i.e. methods of calculating) such assessments.
	3. The expense account(s) to which such assessments were booked and the amount(s) by account.

*Response: 2014 Assessments (Area 250-557410)*

*Q1 $70,880.03 [NERC portion $15,472.31 SPP portion  $55,407.72 ]*

*Q2 $70,880.03 [NERC portion $15,472.31 SPP portion  $55,407.72 ]*

 *Q3 $70,880.03 [NERC portion $15,472.31 SPP portion  $55,407.72 ]*

*Q4 $70,880.03 [NERC portion $15,472.31 SPP portion  $55,407.72 ]*

*Regarding Schedule 1a charges:*

*2014                       $ 2,846,670.12*