

Exhibit No.
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Programs, Experimental Low Income
Program, Employee Purchase Plan
Witness: Sherrill L. McCormack
Type of Exhibit: Direct Testimony
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Case No.
Date Testimony Prepared: October 2007

**Before the Public Service Commission
of the State of Missouri**

Direct Testimony

of

Sherrill L. McCormack

October 2007

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OF
SHERRILL L MCCORMACK
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

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DIRECT TESTIMONY
OF
SHERRILL L. MCCORMACK
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO.

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Sherrill L. McCormack and my business address is 602 Joplin Street, Joplin,
4 Missouri 64801.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am currently employed by The Empire District Electric Company (“Company” or
7 “Empire”) as a Planning Analyst.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. I hold a Bachelor of Science degree in Business Administration with a major in finance from
11 Mississippi State University. I also earned a Masters Degree in Business Administration
12 from Pittsburg State University. Prior to joining Empire, I held various positions in banking
13 and investments from 1978 to 1989 in Mississippi and Texas, followed by two years as an
14 adjunct business instructor at Labette County Community College in Kansas and nine years
15 as a business instructor with Crowder College in Missouri. In August 2001, I was employed
16 by Empire as a Planning Analyst. Originally, I worked with long-range financial forecasting
17 and generation planning until November 2005. With the renewed interest in energy
18 efficiency programs, my primary responsibilities have shifted to coordinating the
19 implementation of demand side management and energy efficiency programs that have been

1 authorized by the various regulatory commissions that regulate Empire's electric operations.

2 I also participate in Empire's integrated resource planning.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. I will discuss three issues and the related rate case adjustments. The first issue I will address
5 is an update as to the status of Empire's current demand side management ("DSM") portfolio
6 and the rate case adjustment that is necessary to reflect the ongoing cost of the programs. The
7 second issue I will discuss is Empire's Experimental Low Income Program ("ELIP") and
8 how Empire recommends that it be restructured. The third issue I will discuss is the
9 Employee Purchase Plan and Empire's recommendation to terminate the plan.

10 **DSM**

11 **Q. WHAT DSM PROGRAMS DOES EMPIRE HAVE PLANNED OR IN PLACE?**

12 A. Empire currently has five DSM programs in place, four for residential customers and one for
13 commercial and industrial customers. The residential programs are the Weatherization
14 Program, Energy Star® Change a Light Program, Low-Income New Home Program, and the
15 High Efficiency Residential Central Air Conditioning Rebate Program ("CAC"). The
16 commercial and industrial customers may participate in the Missouri Commercial and
17 Industrial Facility Rebate Program ("C&I Rebate").

18 Empire is working on the development and implementation of the Building Operator
19 Certification program and the Home Performance with Energy Star®. The final program in
20 the Company's current portfolio to be implemented will be the Energy Star® New Homes
21 program.

22 **Q. PLEASE PROVIDE AN UPDATE ON THE STATUS OF EMPIRE'S DSM**
23 **PROGRAMS.**

1 A. Empire's DSM programs, created as a result of Case No. EO-2005-0263, are continuing to be
2 implemented and customer participation levels are increasing. Of the residential programs,
3 we are beginning the second year of the low income weatherization program and Change a
4 Light program. During the first contract year of the low income weatherization program 92
5 low income customers participated with \$90,555 of the money budgeted for this program
6 being utilized through July 2007. In this program, Empire provides funding to the
7 Community Action Agencies ("CAA") in its service territory for weatherization of low-
8 income customers' homes. The weatherization and the education that occurs during the
9 process helps the customers lower their energy consumption and be more comfortable.
10 During the first year of the "Change a Light" program, 9,861 compact fluorescent lights were
11 purchased by Empire customers, which resulted in an estimated annual energy savings of
12 503,897 kWh. The "Change a Light" program runs from October through December each
13 year and is coordinated through the Midwest Energy Efficiency Alliance ("MEEA"). This
14 program provides an immediate mark-down on certain compact fluorescent lamps ("CFL")
15 through participating retailers.

16 The Low-Income New Homes program became effective March 4, 2007. This program
17 provides rebates to non-profit organizations and local government community development
18 organizations that provide new homes for low income customers. The rebates are for central
19 air conditioning units, including heat pumps, with a seasonal energy efficiency ration
20 ("SEER") of 14 or greater, an upgrade to an Energy Star® rated refrigerator, purchase of
21 Energy Star® lighting fixtures, and/or installation of insulation levels above established
22 baselines. To date, several Habitat for Humanity chapters have expressed interest in this
23 program and participation is expected when the next round of these homes are built.

1 The High Efficiency Central Air Conditioning program was approved June 4, 2007. Rebates
2 are provided to homeowners, landlords, or builders for central air conditioning units or heat
3 pumps with SEERs of 15 or greater. As of August 24, 2007, Empire had rebated \$15,550 to
4 29 different customers with more customer applications arriving almost daily. These four
5 programs comprise Empire's Commission approved residential DSM portfolio.

6 **Q. WHAT DSM PROGRAMS COMPRISE EMPIRE'S COMMERCIAL AND**
7 **INDUSTRIAL DSM PORTFOLIO AT THIS TIME?**

8 A. The C&I Rebate program was rolled-out in the spring of 2007. This program is an expansion
9 of Empire's earlier commercial/industrial audit program. In the current program, both custom
10 and prescriptive rebates are available as is an optional audit rebate. Small commercial
11 customers, those in the SH and CB classes, are eligible to apply for the prescriptive rebates
12 covering lighting, HVAC, and small motors. These same customers plus all commercial or
13 industrial customers, except those in the LP class, are eligible to apply for the custom rebates.
14 Audit rebates are based on the square footage of the facility and customers must implement
15 at least one of the audit recommendations that qualify for a custom or prescriptive rebate.
16 Currently, two custom applications have been received and approved for a total of \$28,516.
17 Installation of the efficiency measures outlined in the customer applications are scheduled to
18 be completed by the end of September 2007. The rebates will be funded following the
19 receipt and review of evidence of completion.

20 **Q. DOES EMPIRE HAVE ADDITIONAL DSM OR ENERGY EFFICIENCY**
21 **PROGRAMS IN DEVELOPMENT?**

22 A. Yes. Empire is currently working with the Missouri Department of Natural Resources
23 ("DNR") to develop the Building Operator Certification ("BOC") program. This program

1 will provide training and certification opportunities to building operators which will improve
2 the energy efficiency of the companies that employ these certified operators. Empire hopes
3 to have a tariff filed for this program by mid November of 2007. The last two programs in
4 our portfolio to be implemented are the Energy Star® New Homes and Home Performance
5 with Energy Star®. The New Homes program will provide financial incentives to the
6 builders of Energy Star® rated homes as well as increasing awareness among all stakeholders
7 and providing training for home builders and home energy raters. The Home Performance
8 program will provide homeowners with consumer education, value and a whole-house
9 approach. Under the program, a certified contractor will inspect the home and provide an
10 itemized cost estimate for each suggested energy-saving improvement. These two Energy
11 Star® programs will be implemented in late 2007 or early 2008.

12 **Q. IS EMPIRE CONSIDERING ANY ADDITIONAL DSM MEASURES?**

13 A. Yes. Empire is considering the addition of an online educational component to its website.
14 During an August conference call with the Customer Program Collaborative (“CPC”),
15 Empire presented the idea of adding the Apogee HomeEnergySuite (“HES”) to its website so
16 that it could be utilized by customers with internet access. The HES contains the
17 HomeEnergyCalculator, two Special Purpose Calculators (lighting and appliances), and three
18 reference libraries (Residential Energy Systems, Fundamentals of Electricity, and Kids
19 Korner). Empire is in the process of conducting additional research on educational programs
20 prior to formally requesting the CPC to approve the Apogee HES educational program.
21 In addition to the educational program, Empire has begun to discuss internally changes to the
22 existing Interruptible Service Rider (“IR”) tariff. As part of its latest Integrated Resource
23 Plan (“IRP”), Empire conducted a preliminary study to determine what changes would be

1 necessary to improve the design and structure of the IR program in an effort to boost
2 customer participation. The preliminary results indicate that part of the tariff should remain
3 voluntary and that changes to the credits offered to the customers for demand and energy
4 interruption are needed. In addition a redesign of the contract terms into at least three
5 distinct contract options—one-year, three-year, and five-year—will probably be required to
6 maximize customer flexibility. The revisions to the tariff are still under development, but
7 Empire plans on presenting the tariff revisions to the CPC in early 2008. Empire plans to
8 request that the costs, including any customer credits, associated with this rider be treated in
9 the same manner as the existing DSM programs. This will enable Empire to recover the
10 costs associated with the rider through the ten-year amortization procedure that was
11 authorized by the Commission in Case No. EO-2005-0263.

12 **Q. WHAT WILL BE EMPIRE'S ESTIMATED DSM AMORTIZATION AT THE END**
13 **OF 2007?**

14 A. Empire has forecast that its deferred Missouri DSM regulatory asset will be \$251,410 as of
15 December 31, 2007. This asset will consist of CPC DSM expenditures made since the Order
16 Approving the Stipulation and Agreement for Case No. EO-2005-0263 became effective
17 through 2007. In addition, this balance reflects an offset for the unused funds associated with
18 several DSM programs that predated the CPC. The composition of the deferred Missouri
19 DSM regulatory asset is displayed in detail on Schedule SLM-1, which is attached to my
20 testimony.

21 **ELIP**

22 **Q. PLEASE PROVIDE AN OVERVIEW OF EMPIRE'S EXPERIMENTAL LOW**
23 **INCOME PROGRAM.**

1 A. The Experimental Low Income Program provides monthly credits of either \$50 or \$20 to
2 customers with income levels at or below 125% of the federal poverty level. The CAAs
3 assist Empire by determining those that qualify and notifying the Company. Beginning in
4 January 2007, as a result of Case No. ER-2006-0315, the program also includes an
5 experimental arrearage repayment incentive. This incentive matches with one dollar every
6 two dollars paid by the customer over the monthly deferred payment. As of August 6, 2007,
7 ELIP applications for calendar year 2007 totaled 1,084. Of this total, 381 are Group A
8 participants, with incomes of 50% or less of the federal poverty level. Group B, which
9 consists of participants with income ranging from 51% to 125% of the federal poverty level,
10 had 703 participants. There has been an increase in program participation since the changes
11 ordered in Case No. ER-2006-0315 were implemented. Compared to the same time last year,
12 participation in Group A has increased 9% and Group B participation has increased 13%.

13 **Q. WHAT CHANGES WERE MADE TO THE ELIP AS A RESULT OF EMPIRE'S**
14 **LAST RATE CASE?**

15 A. Several changes were made as a result of the Commission's Order in Case No. ER-2006-
16 0315. The monthly credit for Group A participants, those with the lowest income level, was
17 increased from a monthly credit of \$40 to a monthly credit of \$50. Additionally, the allowed
18 income range was increased for Group B. The change moved the upper limit from 100% to
19 125% of the federal poverty level.

20 **Q. WERE ANY OTHER CHANGES MADE?**

21 A. Yes. Three additional changes were made to the program. The first removed the twenty-four
22 month participation restriction. Participants may continue in the program as long as they
23 meet the annual eligibility requirements. The second change added an experimental arrearage

1 repayment incentive, which is a one dollar incentive paid by the Company for every two
2 dollars paid by the participant over the monthly deferred payment. The annual total for this
3 experimental arrearage repayment incentive is \$30,000. The third change was the addition of
4 \$2,000 earmarked for outreach.

5 **Q. HOW SUCCESSFUL HAVE THE LAST TWO CHANGES BEEN?**

6 A. The experimental arrearage repayment incentive has been implemented but has not been
7 utilized by any customer to date. Of the total participants in the ELIP, three are enrolled in
8 the deferred payment plan. The only additional outreach efforts have been visits with the
9 agencies so none of the outreach dollars have been utilized.

10 **Q. DOES EMPIRE HAVE ANY RECOMMENDED CHANGES TO THE ELIP**
11 **PROGRAM AS IT NOW EXISTS?**

12 A. Yes. Since customer participation has continued to be much lower than the Commission's
13 authorized funding level of \$300,000, funds, both customer and shareholder, continue to go
14 unused. Empire recommends that the annual funding for the program be reduced from
15 \$300,000 to \$150,000. In addition, the \$30,000 annual experimental arrearage repayment
16 incentive also appears to be excessive, and Empire recommends that the annual funding in
17 this area be reduced from \$30,000 to \$15,000. Finally, if the ELIP is to be a permanent
18 ongoing program, Empire recommends that all of the funds required for the program be
19 included in the cost of service and that any direct shareholder funding be discontinued.

20 **Q. DOES EMPIRE HAVE A RECOMMENDED ALTERNATIVE TO THE CURRENT**
21 **ELIP PROGRAM?**

22 A. Yes. Empire recommends that the existing ELIP be ended. This program was started in 2003
23 as an experimental two-year program. After five years of operating the low income program,

1 Empire recommends that the experimental designation be deleted. In its place, we are
2 proposing a new program very similar to the current ELIP. This Low-Income Customer
3 Assistance Program ("LICAP") would be funded through the cost of service at \$150,000
4 annually, which is one-half the level of the current program. Empire recommends keeping
5 the same monthly credits and income level requirements as are in the current program.
6 Although the experimental arrearage repayment incentive has seen a slow start, Empire
7 would keep this incentive in place, but remove the experimental designation and reduce the
8 annual level of \$15,000. The outreach program component will continue at its current level.
9 Currently, the ELIP participation level is to be no more than 1,000 participants with a limit of
10 no fewer than two hundred (200) in Group A and in Group B. In order to keep the monthly
11 credits at the current level and the arrearage repayment incentive at \$15,000 in the LICAP,
12 Empire recommends removing the reference to number of participants, allowing the total
13 funds available to determine maximum participation. Any unused funds at the end of the
14 new program could be used for Commission-approved demand-side management programs.
15 The tariff for this program is attached as Schedule SLM-3.

16 **Q. WHAT HAS THE CPC DECIDED TO DO WITH THE UNUSED ELIP FUNDS?**

17 A. The CPC has been discussing this issue, but has not been able to reach agreement. The
18 following proposal was made by Empire:

19 Reduce the annual program funding from \$300,000 to \$150,000 (\$75,000
20 ratepayer/\$75,000 shareholder) effective Jan. 1, 2008

21 Refund \$75,000 up front and one-half of the balance of the excess funds on Jan. 1,
22 2008 to EDE's Missouri customers based on a percentage of revenue billed to the
23 Missouri customers during the January billing cycle. The current estimate of this
24 total refund is around \$475,000, \$75,000 for the reduction in 2008 funding and
25 \$400,000 in past excess customer funding of ELIP.

26 Empire will use the shareholder portion of excess funds, approximately \$400,000,
27 for the building shell improvements for United Way Agency owned buildings.

1 No interest will be paid on the reduced 2008 ELIP funding levels (\$75,000) since
2 the customers will be receiving a full refund at the beginning of the 2008 funding
3 period.

4 Empire will request that the experimental nature of the program be ended and that
5 the reduced funding of \$150,000 be paid 100% by customers in the upcoming
6 Empire rate case.

7 This proposal, as previously mentioned, was not accepted, but the collaborative is still
8 discussing the issue.

9 **Q. WHAT IS THE COMPANY'S PREFERRED ALTERNATIVE?**

10 A. Empire's preferred alternative is to refund all of the excess ELIP funds that have been
11 provided by customers since the effective date of the ELIP program. The excess ELIP funds
12 that have been provided by Empire would then be used to make improvements in energy
13 efficiency at the various non-profit agencies that deal with low income customers in our
14 service area. The customers' excess funds would be returned via a one-time credit to the
15 existing customers' bills during a single month's billing cycle(s). This refund would be
16 distributed to each individual customer based upon a percentage of revenue. As I indicated
17 earlier, Empire prefers to use the excess shareholder ELIP contributions to improve the
18 energy efficiency of the buildings owned by the United Way Agencies which are 501(c)3
19 organizations. The building shell and lighting improvements would benefit both the
20 community and the population served by the agencies.

21 **ADJUSTMENTS**

22 **Q. PLEASE DESCRIBE THE DSM AND ELIP RATE CASE ADJUSTMENTS.**

23 A. The overall adjustment to operating expense is a reduction of \$296,201 and is detailed on
24 Schedule SLM-2. This adjustment is the combination of an elimination of the expenses
25 associated with the ELIP and the pre-CPC programs plus an annualized level of the
26 amortization associated with the CPC approved portfolio through December 31, 2006, and

1 the LICAP expense. This makes ongoing DSM amortization and LICAP included in rates
2 total \$162,600.

3 **Q. HAVE THE DEFERRED DSM EXPENDITURES BEEN INCLUDED IN RATE BASE**
4 **IN THIS RATE FILING?**

5 A. Yes. Rate base includes the actual Commission-approved DSM expenditures through
6 December 31, 2006, along with an estimate of the expenditures Empire will make on the
7 Commission-approved DSM programs during calendar year 2007. The unused funds
8 associated with the pre-CPC programs have been used to directly offset vintage 2007 DSM
9 expenditures. This reduction in vintage year 2007 expenditures amounted to \$352,768 and
10 resulted in the vintage year 2007 DSM regulatory asset being established at \$125,410.
11 Again, the details of this rate base adjustment are shown on Schedule SLM-1.

12 **EMPLOYEE PURCHASE PLAN**

13 **Q. DOES EMPIRE HAVE CHANGES TO ITS EMPLOYEE PURCHASE PLAN?**

14 A. Yes. Empire is planning to discontinue the Employee Purchase Plan upon approval of the
15 revised tariffs in this rate case. This change is reflected in the revised tariffs proposed by the
16 Company in this case. The cost of this program is not reflected in the rates charged to our
17 Missouri customers, and fewer than 20 employees have used this program annually since
18 January 2005. The funding requested by our employees has been less than \$35,000 annually
19 during the same time period.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

DSM Rate Base Adjustment**Schedule SLM-1****Regulatory Asset 2006 Balance**

Change A Light	13,281
Weatherization	46,086
Commercial & Industrial Rebates	1,089
Administrative & General	65,544

Total CPC DSM Program Expenditures 2006**\$ 126,000****Regulatory Asset 2007 Balance**

Actual Expenditures Jan-Jun

Change A Light	8,003
Low Income New Homes	609
Weatherization	107,979
Central Air Conditioning	-
Commercial & Industrial Rebates	8,210
Administrative & General	2,706

\$ 127,508

Estimated Expenditures Jul-Dec

Change A Light	16,516
Low Income New Homes	5,208
Weatherization	89,776
Central Air Conditioning	116,356
Commercial & Industrial Rebates	121,545
Administrative & General	1,269

Estimated Total (Jul-Dec 2007)

\$ 350,670

Total CPC DSM Program Expenditures 2007

\$ 478,178

Pre CPC DSM Program Balances at 12/31/2006

Change A Light	(20,833)
Weatherization	(116,250)
HVAC	(175,000)
Commercial & Industrial Audit	(40,685)

Pre-CPC balances impact on regulatory asset

(352,768)**Estimated Regulatory Asset Balance 12/31/2007****\$ 125,410****Total Rate Base DSM Regulatory Asset**

2006 End of Year Regulatory Asset Balance	126,000
2006 Vintage Amortizations (\$126,000 / 10 yrs.)	(12,600)
2007 Est. End of Year Regulatory Asset Balance	125,410

Rate Base Balance for DSM**\$ 238,810**

General Ledger Balance as of 6/30/2007

\$ (105,561)**Adjustment Needed to Rate Base****\$ 344,371**

DSM Expense Adjustment**Schedule SLM-2**

Annualized 2006 Vintage Amortizations	\$	12,600	
Proposed Low Inc Cust Asst Prog.		<u>150,000</u>	
Total DSM Amort. & LICAP			\$ 162,600
Less: Per GL			
ELIP Amortization in test year		(150,000)	
CPC 2006 Vintage amortization in test year		(6,300)	
Amortizations prior to ER-2006-0315 effective date, but in test year		(302,501)	
			\$ (458,801)
Expense Adjustment			<u><u>\$ (296,201)</u></u>

THE EMPIRE DISTRICT ELECTRIC COMPANY

P.S.C. Mo. No. 5 Sec. 4 5th Revised Sheet No. 9Canceling P.S.C. Mo. No. 5 Sec. 4 4th Revised Sheet No. 9For ALL TERRITORY

<p style="text-align: center;">LOW-INCOME CUSTOMER ASSISTANCE PROGRAM ("LICAP")</p>

APPLICATION:

This Low-Income Customer Assistance Program is applicable for service billed under Schedule RG, Residential Service, to qualified customers. The LICAP will provide the participants with a fixed credit on their monthly bill (LICAP credit). Customers participating in the LICAP program shall receive the credit for a period up to 12 months from the billing cycle designated by the Company (EDE) as the participants first month until the billing cycle designated as the participants last for LICAP. At the end of the 12 month period, a customer may reapply to participate further in the program. This experimental program was approved by the Missouri PSC in Case No. ER-.

DEFINITIONS:

Qualified Customer – An EDE customer receiving service under Schedule RG who is classified as low-income by the Missouri Department of Social Service criteria and whose annual household income is no greater than 125% of the federal poverty level, as established by the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Services under the authority of 42 U.S.C. 9902 (2).

Applicant – A qualified customer who submits an LICAP application form for the LICAP credit.

Participant – An applicant who agrees to the terms of the LICAP and is accepted by EDE.

Program Funds – Annual funding included in the cost of service for the LICAP is \$150,000.00 based upon Case No. ER-.

Agencies- The social service agencies serving EDE's service territory that qualify and assist LICAP customers pursuant to written contract between EDE and the Agencies.

AVAILABILITY:

Service under this rate schedule shall be available to participants in the EDE service area who satisfy the following eligibility requirements:

1. Participant must be an EDE residential customer receiving service under the RG rate.
2. Participant's annual household income must be verified initially, and annually thereafter, as being no greater than 125 percent (125%) of the federal poverty level.
3. For purposes of determining the level of the LICAP credit to be received, the participants will be categorized as follows:
 - a. Group A – Participants whose annual income has been verified as being from 0 to 50 percent (0% - 50%) of the federal poverty level.
 - b. Group B – Participants whose annual income has been verified as being from 51 to 125 percent (51% - 125%) of the federal poverty level.
4. Participants shall be required to enroll in EDE's Average Payment Plan, (Rider AP) with adjustments to said plan limited to once per year.
5. Participants who have outstanding arrearages shall enter special pay agreements through which the arrearages shall be paid over a period of 12 to 24 months as mutually agreed to by both the Participant and the Company.

THE EMPIRE DISTRICT ELECTRIC COMPANY

P.S.C. Mo. No. 5 Sec. 4 4th Revised Sheet No. 10Canceling P.S.C. Mo. No. 5 Sec. 4 3rd Revised Sheet No. 10For ALL TERRITORY

<p style="text-align: center;">LOW-INCOME CUSTOMER ASSISTANCE PROGRAM ("LICAP")</p>

6. Participants must provide, via an interview or questionnaire, information related to their energy use and program participation. Any information provided in these interviews or questionnaires that is later made public will not be associated with the participant's name.
7. Any provision of the Company's rules and regulations applicable to the Company's RG customers will also apply to LICAP participants.

ENERGY ASSISTANCE:

1. Participants who have not previously completed an application for a LIHEAP ("Low-Income Home Energy Assistance Program") grant agree to apply for a LIHEAP grant when such grants become available. EDE, through the Agencies, shall assist LICAP participants with completion of LIHEAP application forms when such assistance is requested.
2. Applicants agree to apply for any other available energy assistance programs identified by the Company, including any available weatherization programs.

CREDIT AMOUNT:

Participants shall receive the LICAP credit for so long as the participant continues to meet the LICAP eligibility requirements .

Participants shall receive the LICAP credit in the following amounts (not to exceed the participant's fixed monthly Rider AP payment):

- Group A – Up to a maximum of \$50 per month.
- Group B – Up to a maximum of \$20 per month.

DISCONTINUANCE AND REINSTATEMENT:

EDE may discontinue a participant's LICAP credit for any of the following reasons:

1. If EDE, through the Agencies, determines the participant no longer meets the eligibility requirements set forth in this tariff.
2. If the participant submits a written request to EDE asking that the LICAP credit be discontinued.
3. If the participant does not conform to EDE's rules and regulations as approved by the Missouri Public Service Commission, and as a result the participant has Schedule RG service discontinued by EDE.

Reinstatement of the LICAP credit following discontinuance in the above circumstances and after the participant again meets the eligibility requirements will be at the discretion of EDE.

MISAPPLICATION OF THE LICAP CREDIT:

Providing incorrect or misleading information to obtain the LICAP credit shall constitute a misapplication of the LICAP credit. If this occurs EDE may discontinue the LICAP credit and rebill the account for the amount of all LICAP credits received by the participant. Failure to reimburse EDE for the misapplication of the LICAP credits may result in termination of customer's electric service pursuant to EDE's rules and regulations. However, nothing in this tariff shall be interpreted as limiting EDE's rights under any provisions of any applicable law or tariff.

THE EMPIRE DISTRICT ELECTRIC COMPANY

P.S.C. Mo. No. 5 Sec. 4 4th Revised Sheet No. 11Canceling P.S.C. Mo. No. 5 Sec. 4 3rd Revised Sheet No. 11For ALL TERRITORY

<p style="text-align: center;">LOW-INCOME CUSTOMER ASSISTANCE PROGRAM ("LICAP")</p>

OTHER CONDITIONS:

The LICAP program has been designed so that EDE neither profits from nor incurs losses as a result of offering this program.

Costs of administering the program, including those costs charged by the Agencies, shall be paid from the program funds.

Each year \$2,000 shall be earmarked for outreach programs. The Customer Program Collaborative shall be responsible for development and review of the outreach programs.

Each year \$15,000 shall be earmarked for an arrearage repayment incentive program. Participation in this arrearage repayment incentive program is contingent upon approval of LICAP funding by the agency seeking to qualify the participant for the LICAP program. The program shall match every two dollars paid by a participant above the monthly deferred payment with one incentive dollar. The maximum annual incentive repayment is \$60 per customer. This payment is in addition to credit amount available to the participant.

Participation may be limited so that the projected expenditures of the program should equal the projected revenue from the program funds.

EDE will gather and maintain participant data on usage, arrears, payments and other relevant factors to be used in the evaluation of the program.

EDE shall make non-confidential data, as well as any and all program evaluations that are conducted, available to the Customer Program Collaborative.

The program may be evaluated after its second full year. The evaluation shall be conducted by an independent third party evaluator under contract with EDE, that is acceptable to the Customer Program Collaborative. The costs of the evaluator shall be paid from the program funds.

If any program funds in excess of actual program expenses remain at the end of the LICAP, EDE shall redirect the excess funds to tariffed demand-side management programs.

AFFIDAVIT OF SHERRILL L. MCCORMACK

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 1st day of October, 2007, before me appeared Sherrill L. McCormack, to me personally known, who, being by me first duly sworn, states that she is a Planning Analyst of The Empire District Electric Company and acknowledges that she has read the above and foregoing document and believes that the statements therein are true and correct to the best of her information, knowledge and belief.


Sherrill L. McCormack

Subscribed and sworn to before me this 1st day of October, 2007.


Notary Public

My commission expires: Nov. 16, 2010

