

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

In the Matter of The Empire District Electric)
Company's Tariff Sheet Designed to Implement Its) Case No. ET-2007-0297
Low Income New Homes Program.)

STAFF'S RECOMMENDATION TO APPROVE TARIFF SHEET

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and, for its Recommendation the Commission approve a tariff sheet The Empire District Electric Company (Empire) filed on February 2, 2007, states:

1. In the attached Memorandum, which is labeled Appendix A, the Staff recommends the Missouri Public Service Commission approve a tariff sheet Empire filed on February 2, 2007, to start a voluntary program designed to provide incentives to builders of new homes for low-income customers for the installation of Energy Star® rated lighting fixtures and refrigerators, high-efficiency central air conditioners, heat pumps and increased R-factor insulation in the home's attic, floor and crawlspace—Empire's "Low-Income New Home Program." The Customer Program Collaborative, created as part of the Affordability, Energy Efficiency and Demand Response Programs section of the Stipulation and Agreement which comprises the Experimental Regulatory Plan approved by the Commission in its August 2, 2005 Order Approving Stipulation and Agreement in Case No. EO-2005-0263, has approved this program, which is similar to a program the Commission approved for Kansas City Power & Light Company in its Order Approving Tariff Sheet issued on February 6, 2007, in Case No. EO-2007-0268. The details of the program are provided in Appendix A.

2. Because the tariff sheet complies with the Commission's Report and Order Approving Stipulation and Agreement in Case No. EO-2005-0263, the Staff recommends the

Commission issue an order approving the proposed tariff sheet, to become effective March 4, 2007, or permit the tariff sheet to go into effect by operation-of-law on the proposed effective date of March 4, 2007.

WHEREFORE, the Staff of the Missouri Public Service Commission recommends the Commission approve, or allow to become effective by operation of law, the tariff sheet The Empire District Electric Company filed on February 2, 2007, to become effective March 4, 2007, to wit:

P.S.C. Mo. No. 5, Section 4
Original Sheet No. 8d

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
Deputy General Counsel
Missouri Bar No. 35512

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 22nd day of February 2007.

/s/ Nathan Williams

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ET-2007-0297, Tariff No. JE-2007-0543
The Empire District Electric Company

FROM: James Watkins, Manager, Economic Analysis
Tom Imhoff, Rate & Tariff Examination Supervisor
Henry Warren, Regulatory Economist II
Mack McDuffey, Rate & Tariff Examiner II

/s/ James Watkins 02/22/07
Energy Department / Date

/s/ Nathan Williams 02/22/07
General Counsel's Office / Date

SUBJECT: Staff Recommendation For **Approval** of Tariff Sheet Filed To Implement A Low-Income NEW HOME Program

DATE: February 22, 2007

On February 2, 2007, The Empire District Electric Company (Empire or Company) of Joplin, Missouri, filed with the Commission one (1) tariff sheet with a proposed effective date of March 4, 2007. This sheet describes the Low-Income New Home Program, Schedule PRO (Program). It is a voluntary program designed to provide incentives to builders of new homes for low-income customers for the installation of Energy Star® rated lighting fixtures and refrigerators, high-efficiency central air conditioners, heat pumps and increased R-factor insulation in the home's attic, floor and crawlspace.

This filing is made pursuant to the Affordability, Energy Efficiency and Demand Response Programs section of the Stipulation and Agreement which comprises the Experimental Regulatory Plan approved by the Commission in its August 2, 2005 Order Approving Stipulation and Agreement in Case No. EO-2005-0263. The Customer Program Collaborative (CPC) has approved the Program. The Commission approved a similar program for Kansas City Power & Light Company in its Order Approving Tariff Sheet issued on February 6, 2007 in Case No. EO-2007-0268.

Description of Program

The Program will establish a partnership between Empire and non-profit organizations, including Habitat for Humanity and local government community development organizations (Organizations) constructing new homes for low-income customers in the Company's service area. It will focus upon reducing the economic constraints typically associated with upgrading to Energy Star® rated equipment, thus making the cost of becoming more energy-efficient affordable to low-income home owners.

The Company will administer the Program, but will rely on the Organizations submitting the application to qualify the home-buyer as low-income according to local standards. The Program applies to single unit residences and multi-unit housing, which for the first year will be limited to duplex units. The total available incentive per residential unit is \$1,100 with an assumed average of \$500. This incentive may be a combination of any of the following:

- \$100 for installing Energy Star® rated lighting fixtures
- \$200 for installing an Energy Star® refrigerator
- \$400 for installing high-efficiency central air conditioners, heat pumps (14 SEER or greater)
- Full incremental cost for upgrading to at least one of the following:
 - R38 attic insulation
 - R19 exterior wall insulation
 - R19 floor insulation

Energy saving tips will be given to low-income purchasers moving into these newly constructed homes. Utilizing these tips will allow them to save additional money on their energy bills while positively impacting the future of their community.

Marketing

1. Target audience: Program is targeted toward Organizations constructing qualified, new homes for low-income households and encourages the implementation of energy efficiency to help make the cost of becoming more energy-efficient affordable to low-income home owners within Empire's service territory.
2. Organization communication: Direct communication with the Organizations will be the Company's primary mode of marketing the Program. The primary objective will be to create awareness among Organizations of what Empire has to offer and how Empire can help low-income households through energy efficiency. Program information will be sent to all Habitat for Humanity chapters in the Company's Missouri electric service area. City governments in each city with a population over 5,000 will also be sent the direct mailing.
3. Direct mailing: Empire's primary method of promoting the Program. This mailing will consist of a flier describing the Program and contact information.
4. Website: The Company's website will provide a description of the Program in order to inform its customers that Empire is participating in the Program. The partner organizations will be listed on the website.

Costs

The costs and benefits were input into a cost-benefit model along with other inputs such as avoided energy and capacity costs. The customer incentive budget is based upon 100% of the homes receiving refrigerator and lighting incentives, 25% of the homes receiving high efficiency air conditioners, and 25% of the homes receiving high efficiency heat pumps. Empire has estimated the

following annual costs for program delivery, administration, marketing, and customer incentives:

Estimated Program Cost

Year	Management	Marketing	Customer Incentive	Evaluation	Total
2007	\$2,500	\$5,000	\$5,000		\$12,500
2008	\$2,500	\$2,500	\$5,000		\$10,000
2009	\$3,000	\$2,500	\$5,000	\$1,050	\$11,550
2010	\$3,000	\$2,500	\$5,000		\$10,500
2011	\$3,000	\$2,500	\$5,000		\$10,500

Empire estimates a total of 10 homes will receive incentives each year of the five-year duration of the Program. Empire has budgeted a total of \$55,050 for this Program. To the extent there are excess funds for a given year, the amount of excess shall be “rolled over” to be utilized for the Program in the succeeding year. Any excess funds at the end of the Program will be re-allocated to other programs by the CPC.

Evaluation

A process evaluation could be conducted at the beginning of the third year of implementation at a cost of an additional 10% of the third year expenditures (\$1,050). The cost-effectiveness of this Program will be analyzed through measurement and evaluation.

Staff Recommendation

The Commission’s Energy Department Staff (Staff) has reviewed the filed tariff sheet, and is of the opinion that it was filed in a timely manner and remains in compliance with the Stipulation and Agreement approved by the Commission’s Order Approving Stipulation and Agreement in Case No. EO-2005-0263. The Staff therefore recommends that the Commission issue an order approving the following proposed tariff sheet, as filed on February 2, 2007, to become effective on March 4, 2007, as requested by Empire, or permit the tariff sheet to go into effect by operation-of-law:

P.S.C. Mo. No. 5, Section 4
Original Sheet No. 8d

The Staff has verified that this Company is not delinquent on any assessment or the filing of its annual report. The Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

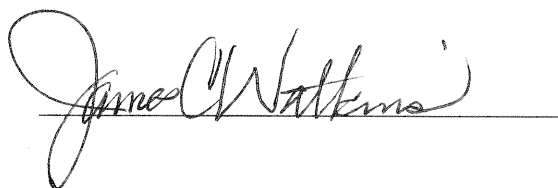
In the Matter of The Empire District Electric Company's)
Tariff Sheet Designed to Implement Its Low Income New)
Homes Program)
)

Case No. ET-2007-0297
Tariff No. JE-2007-0543

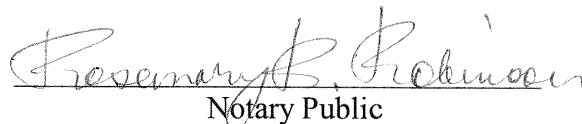
AFFIDAVIT OF JAMES C. WATKINS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James C. Watkins, of lawful age, on oath states: that he has participated in the preparation of the foregoing Staff Recommendation; that he has knowledge of the matters set forth in such recommendation; and that such matters are true to the best of his knowledge and belief.



Subscribed and sworn to before me this 22nd day of February, 2007.



Notary Public

My commission expires 9-23-2008

