

THE EMPIRE DISTRICT ELECTRIC COMPANY

P.S.C. Mo. No. 5 Sec. 4 6th Revised Sheet No. 17

Canceling P.S.C. Mo. No. 5 Sec. 4 5th Revised Sheet No. 17

For ALL TERRITORY

FUEL ADJUSTMENT CLAUSE
SCHEDULE FAC

The two six-month accumulation periods, the two six-month recovery periods and filing dates will be as follows:

<u>ACCUMULATION PERIOD</u>	<u>RECOVERY PERIOD</u>	<u>ACCUMULATION PERIOD</u>	<u>RECOVERY PERIOD</u>
SEPTEMBER	JUNE	MARCH	DECEMBER
OCTOBER	JULY	APRIL	JANUARY
NOVEMBER	AUGUST	MAY	FEBRUARY
DECEMBER	SEPTEMBER	JUNE	MARCH
JANUARY	OCTOBER	JULY	APRIL
FEBRUARY	NOVEMBER	AUGUST	MAY
	April 1 st		October 1 st

Filing date:

DEFINITIONS

ACCUMULATION PERIOD:

The six calendar months during which the actual costs subject to this rider will be accumulated for purposes of determining the Cost Adjustment Factor.

RECOVERY PERIOD:

The billing months during which Cost Adjustment Factor (CAF) is applied to retail customer billings on a per kilowatt-hour (kWh) basis.

COSTS:

Costs eligible for Fuel Adjustment Clause (FAC) will be the Company's total book costs as allocated to Missouri for fuel consumed in Company generating units, including the costs associated with the Company's fuel hedging program; purchased power energy charges, including applicable transmission fees; Southwest Power Pool variable costs, and emission allowance costs during the Accumulation Period. Eligible costs do not include the purchased power demand costs. These costs will be off-set by off-system sales margin and any emission allowance revenues collected in the Accumulation Period.

BASE COST:

Company generated energy and purchased energy cost per kWh at the generator, established by season in the most recent base rate case. The base cost per kWh for the summer months of June through September is \$0.03001. For all other months the base cost per kWh is \$0.02744.

DATE OF ISSUE August 8, 2008
ISSUED BY Kelly S. Walters, Vice President, Joplin, MO

DATE EFFECTIVE September 7, 2008

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APPLICATION

FUEL ADJUSTMENT CLAUSE

The average price per kWh of electricity generated or purchased will be adjusted subject to application of the FAC, and approved by the Public Service Commission. The price will reflect 95 percent of the accumulation period costs either above or below base costs specified below for:

1. fuel consumed in Company electric generating plants,
2. purchased energy (excluding demand),
3. off-system sales margin,
4. net of emission allowance costs and revenues.

It will also include:

5. an adjustment for the prior recovery period sales variation.
6. Interest: Interest at a rate equal to the Company's short-term interest rate will be applied to the average monthly deferred electric energy costs and will be accumulated during the accumulation period. Deferred electric energy cost shall be determined monthly. The monthly deferred amount may be negative or positive during the accumulation period.

The formula and components are displayed below.

$$FAC = \{[(F + P + E - O - B) * J] * 0.95\} + C + I$$

Where:

F = Actual total net system input cost of fuel - FERC Accounts 501 & 547

P = Actual total net system input cost of purchased energy - FERC Account 555 (excluding purchase power demand charges)

E = Actual total system net emission allowance cost and revenues - FERC Accounts 509 & 254.103

O = Actual total system off-system sales margin

B = Base cost of fuel and purchased power energy calculated as follows:

1. For the months of June through September
2. For all other months

$$B = (NSI \text{ kWh} * \$0.03001)$$
$$B = (NSI \text{ kWh} * \$0.02744)$$

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J = Missouri energy ratio calculated as follows:

$$\text{Missouri Energy Ratio} = \frac{\text{Missouri Retail kWh sales}}{\text{Total System kWh sales}}$$

Where Total System kWh Sales excludes off-system sales

C = True-up of Under/Over recovery of FAC balance from prior recovery period as included in the deferred energy cost balancing account. This factor will reflect any modifications made due to prudence reviews

I = Interest

COST ADJUSTMENT FACTOR

The Cost Adjustment Factor ("CAF") is the result of dividing the FAC by estimated recovery period Missouri net system input (NSI) kWh, rounded to the nearest \$.00000. The CAF shall be adjusted to reflect the differences in line losses that occur at primary and above voltage and secondary voltage by multiplying the average cost at the generator by 1.0520 and 1.0728, respectively. Any CAF authorized by the Commission shall be billed based upon customers' energy usage on and after the authorized effective date of the CAF. The formula and components are displayed below.

$$\text{CAF} = \frac{\text{FAC}}{\text{S}}$$

Where:

S = Forecasted Missouri NSI kWh for the Recovery Period. Missouri NSI kWh is calculated as:

$$\text{Missouri NSI} = \text{Forecasted NSI} * \frac{\text{Forecasted Missouri Retail kWh sales}}{\text{Forecasted Total System kWh sales}}$$

Where Forecasted Total System kWh Sales excludes off-system sales

PRUDENCE REVIEW

There shall be a periodic review of fuel and energy costs subject to the FAC, and a comparison of the FAC revenue collected. In addition, the review shall determine if the costs subject to the FAC were prudently incurred by the Company. FAC cost and the FAC charges are subject to adjustment if found to be imprudent by the Commission. The normal true-up of over/under recovery of FAC cost occurs at the end of each recovery period. Prudence reviews shall occur no less frequently than at eighteen (18) month intervals.

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ACCUMULATION PERIOD ENDING, 00-00-0000

1. Total energy cost (F + P + E - O)	\$xxx,xxx,xxx
2. Base energy cost (B)	\$xxx,xxx,xxx
3. Missouri Energy Ratio (J)	0.xxxx
4. Fuel Cost Recovery [(F + P + E - O) - B] * J	\$xxx,xxx,xxx
5. Adj for Over/Under recovery for the recovery period ending 00-00-0000 (C)	\$xxx,xxx,xxx
6. Interest (I)	\$xxx,xxx,xxx
7. Fuel Adjustment Clause (FAC)	\$xxx,xxx,xxx
8. Forecasted Missouri NSI for the Recovery Period (S)	xxx,xxx,xxx
9. Cost Adjustment Factor (CAF) to be applied to bills beginning 00-00-0000	\$0.xxxxx / kWh
10. CAF - Primary and above (Line 9 x Primary Expansion Factor)	\$0.xxxxx / kWh
11. CAF - Secondary (Line 9 x Secondary Expansion Factor)	\$0.xxxxx / kWh

Primary Expansion Factor = 1.0520
Secondary Expansion Factor = 1.0728