

THE EMPIRE DISTRICT ELECTRIC COMPANY

P.S.C. Mo. No. 5 Sec. _____ Revised Sheet No. _____

Canceling P.S.C. Mo. No. 5 Sec. _____ Revised Sheet No. _____

For ALL TERRITORY

**DEMAND-SIDE INVESTMENT MECHANISM RIDER
DSIM RIDER**

APPLICATION

The Demand-Side Programs Investment Mechanism Rider ("DSIM Rider") shall be applied to all Missouri retail rate schedules with the exception of lighting schedules.

TERM

This DSIM Rider shall remain in effect until modified or terminated by the Missouri Public Service Commission ("MPSC" or "Commission"), but in no event for more than four (4) years.

PURPOSE

The purpose of this DSIM Rider is to establish the DSIM Rate(s) by which The Empire District Electric Company ("Empire" or "Company") will recover the DSIM revenue requirement associated with its Commission approved demand-side management ("DSM") programs. The DSIM revenue requirement includes: prudently incurred DSM Program Costs; Utility Incentives; and associated Lost Revenues. The DSIM Rate(s) are calculated to recover the DSIM revenue requirement for each customer class over a twelve (12) month recovery period.

DSIM RATE FORMULA

The DSIM Rate Formula is as follows:

$$\text{DSIM Rate by Class} = (\text{DSM Program Costs and Utility Incentives} + \text{Lost Revenue}) / \text{Billing Units (Kilowatt-hours)}$$

Where:

$$\text{DSM Program Costs and Utility Incentives} = \text{DSM Program Costs} + \text{Utility Incentives} + \text{Prior Period Over/Under amount}$$

Where:

DSM Program Costs = Direct program cost such as customer rebates and indirect costs such as program delivery, marketing, administration and regulatory compliance costs, including the development of a Missouri DSM Technical Resource Manual.

$$\text{Utility Incentives} = \text{Benefits} \times \text{Shared Percentage (SP)} + \text{DSM Program Incentives}$$

$$\text{Shared Percentage (SP)} = \text{Nineteen (19) percent}$$

Benefits = The lifetime avoided cost associated with DSM program measures installed during a DSM program calendar year where the DSM Program Total Resource Cost test > 1.0;

$$\text{DSM Program Incentives} = \text{DSM Program Costs} \times \text{DSM Program Incentive Percentage (SP2)}$$

DSM Program Incentive Percentage (SP2) = Authorized rate of return increased for a 200 basis point incentive return on shareholder equity, for each individual approved measure; and

Lost Revenue = Revenue lost due to energy and demand savings from Company DSM Programs approved by the Commission in accordance with 4 CSR 240-20.094, 4 CSR 240-20.093(2)(G)1 and 4 CSR 240-20.093(2)(G)5.

Billing Units = the summation of Class Billing Units (defined below).

And where (for each class of customers as defined below):

Customer Classes (for purposes of this tariff):

Residential = All residential rates

Commercial = Commercial customers taking service on Commercial Service - Schedule CB

Small Heating Service = General Service customers taking service on Small Heating Service - Schedule SH

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General Power = Commercial or industrial customers taking service on General Power Service - Schedule GP

Large Power = Customers taking service on the Large Power Service - Schedule LP

Feed Mill and Grain Elevator Service = Customers taking service on Feed Mill and Grain Elevator Service - Schedule PFM

Total Electric Building = Commercial or industrial customers taking service on Total Electric Building Service - Schedule TEB

Miscellaneous Service = Customers taking service on Miscellaneous Service - Schedule MS

Special Transmission Service = Industrial customers taking service on Special Transmission Service - Schedule ST excluding Opt-out customers (defined below)

INITIAL RATES

The DSIM Rate(s) shall be determined by application of the DSIM Rate Formula and set out in Attachment A to this DSIM Tariff. The DSIM Rate(s) shall be filed annually by May 1 and shall be accompanied by a set of workpapers sufficient to fully document the calculations of the DSIM Rate(s). The initial DSIM Rate(s) shall not go into effect prior to the first of July following the end of the first full or partial calendar year of DSM program operations. The initial DSIM Rate(s) shall reflect: prudently incurred DSM Program Costs and the Utility incentives earned for the prior calendar year. The DSIM Rate(s) so determined shall be effective on July 1 through the following June 30th.

ANNUAL RE-DETERMINATION

On or before May 1 of each year, beginning in 2013, the Company shall file a re-determined DSIM Rate(s) with the Commission. The re-determined DSIM Rate(s) shall be calculated by application of the DSIM Rate Formula and set out in Attachment A to this DSIM Tariff. Each such revised DSIM Rate filing shall be accompanied by a set of workpapers sufficient to fully document the calculations of the revised DSIM Rate(s).

The re-determined DSIM Rate(s) shall reflect prudently incurred DSM Program Costs, Utility Incentives and Lost Revenue if applicable, for the prior 12-month period ending on December 31 and a true-up adjustment reflecting any over-recovery or under-recovery of prior period(s) DSIM Revenue Requirement (Prior Period Over/Under Amount).

The Prior Period Over/Under Amount is the difference between the actual DSIM revenues billed by the Company and the Commission approved DSIM Revenue Requirement for the calendar year. The true-up adjustment will be calculated to include the effect of the Shared Benefits incentive. The DSIM Rate(s) so re-determined shall be effective with Commission approval on and after July 1st of the "Filing" year and shall then remain in effect for twelve (12) months ("DSIM Cycle"). In support of the re-determined rate, the utility shall secure or create, and subsequently retain, workpapers containing all data needed to substantiate its proposed DSIM Rate(s).

CUSTOMER BILLING

The revenue associated with the DSIM rider shall be displayed as a separate line item on customer bills. The DSIM revenue recovered from each customer will be quantified by multiplying customer usage (kilowatt-hours) by the authorized DSIM rate.

OPT-OUT PROVISION FOR QUALIFYING CUSTOMERS

The DSIM charge will not be applied to the bill of qualified Customers requesting and approved to opt-out of the DSM programs under 4 CSR 240-20. Customers exercising this opt-out provision agree to forgo all participation and benefit from the Company's approved DSM Program(s) with the sole exception of Interruptible Service Rider IR.

PRUDENCE REVIEWS

There shall be prudence reviews conducted no less frequently than at twenty-four (24) month intervals. Any adjustments authorized by the Commission shall be reflected in the Company's DSIM Revenue Requirement.

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EVALUATION MEASUREMENT & VERIFICATION

Evaluation, Measurement & Verification ("EM&V") of Commission authorized DSM programs will be performed by an independent contractor on a two-year cycle. At the end of the third calendar year of DSM Program operation following the evaluation of the EM&V results, the Company's annual re-determination filing will recognize any Lost Revenue, if applicable, and update the Shared Benefit calculation. Thereafter, similar refinements to Lost Revenue and Shared Benefits will take place on a two-year cycle.

TRACKING AND MONITORING PROGRAM COSTS, LOST REVENUES, UTILITY INCENTIVES AND BENEFITS

The Company shall develop and implement appropriate accounting procedures, subject to the review of the Commission Staff, which provide for separate tracking, accounting, and reporting of all prudently incurred DSM Program costs, Lost Revenues, and Utility Incentives incurred by the Company. The procedures used shall enable DSM Program costs to be readily identified and clearly separated from all other costs. The Company shall secure and retain all documents necessary to verify the validity of the program costs for which it is seeking recovery.

The Company shall develop and implement appropriate accounting procedures, subject to the review of the Commission Staff, which provide for separate tracking, accounting, and reporting of DSIM revenues collected. The procedures shall enable the DSIM revenues to be readily identified and clearly separated from all other revenues. The Company shall secure and retain all documents necessary to verify the accuracy of the DSIM revenues.

The Commission requires an assessment of the benefit and cost effectiveness of all of the Company's DSM programs (except any programs for which the Company has obtained a waiver). The Company shall develop and implement appropriate procedures, subject to the review of the Commission Staff, which provide for separate tracking of the benefits and the costs associated with the Company's DSM Programs. The data that shall be tracked shall include, but shall not be limited to, information that will enable the Commission to assess the effectiveness of the Company's DSM Programs. The Company shall secure and retain all documents necessary to verify its assessments.

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ATTACHMENT A

Residential per kWh	\$0.00139
Small Commercial (CB) per kWh	\$0.00139
Total Electric Building (TEB) per kWh	\$0.00139
General Power (GP) per kWh	\$0.00139
Large Industrial (PT) per kWh	\$0.00139

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**DEMAND-SIDE PROGRAMS INVESTMENT
MECHANISM RIDER – DSIM RIDER**

Illustrative (DSIM Rider) TARIFF - Attachment A
- Effective July 1, 2013 through June 30, 2014
Worksheet

<u>Line</u>	<u>Program Costs</u>	<u>2012</u>
1	Program Development--2012	\$ 100,000
2	Residential High Efficiency Lighting	260,000
3	ENERGY STAR Appliances	28,420
4	Refrigerator Recycling	76,000
5	High Efficiency Cooling	368,396
6	Home Energy Comparison	72,000
7	ENERGY STAR New Homes	1,099,334
8	Home Performance with ENERGY STAR	156,800
9	Low Income Weatherization	420,000
10	Low Income New Homes	33,750
11	Commercial & Industrial Custom Rebate	420,000
12	Commercial & Industrial Prescriptive Rebate	312,592
13	Building Operator Certificate	25,760
14	Interruptible Service	36,000
15	Administration and Evaluation	643,908
16	Total Projected Program Cost	4,052,960
17	Incentives-2012	1,395,825
18	Prior Period Over/Under Amount	-
19	Billing Units	3,934,373,000
20	Program Cost & Incentive Factor [lines (16+17+18) / line 19]	\$0.001385
21	DSM Rate/kWh sold	\$0.00139