

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

In the Matter of The Empire District Electric)
Company for Authority to File Tariffs Increasing)
Rates for Electric Service Provided to Customers) Case No. ER-2016-0023
in the Company’s Missouri Service Area)

STIPULATION AND AGREEMENT REGARDING DSM TARIFFS

COME NOW The Empire District Electric Company (“Empire” or the “Company”), the Staff of the Commission (“Staff”), the Office of the Public Counsel (“OPC”), and the Missouri Department of Economic Development – Division of Energy (“DE”), by and through their respective counsel (collectively, the “Signatories”),¹ and stipulate and agree as follows regarding Empire’s Demand Side Management (“DSM”) tariffs.

1. With regard to Empire’s proposed DSM tariff sheets, the Stipulation and Agreement of the parties to Empire’s rate case (the “Rate Case Stipulation”) as filed on June 20, 2016, and approved by the Public Service Commission on August 10, 2016, provides as follows:

13. Planned DSM / Energy Efficiency: The Signatories agree that between the effective date of this Stipulation and January 1, 2017, or as soon as possible after January 1, 2017, they will work together through the existing DSMAG to develop four (4) new DSM programs, namely, a Residential HVAC, a C&I custom rebate, a low-income multi-family, and either a non-low-income multi-family, single family low-income or an on-bill financing program targeted at low-income families.

a. The DSMAG will model these programs to the extent possible on existing programs in the state of Missouri and/or other best practices identified by the DSMAG.

b. Each program developed will include a proposed annual budget, energy and demand savings target(s), and marketing strategy.

c. All programs will have impact and process evaluation, measurement and verification (“EM&V”) performed by a third party independent contractor for the first two (2) full program years at a budget of 5% of the actual expenditures for the two (2) full program years.

d. The DSMAG will investigate Pay As You Save (“PAYS”) Financing and similar programs, the feasibility of administering PAYS Financing and similar programs

¹ The City of Joplin, the Midwest Energy Consumers Group (“MECG”), and the Midwest Energy Users’ Association (“MEUA”) are also parties to this rate case proceeding. Counsel for these parties were consulted, and each stated that his client does not object to this Stipulation and Agreement.

in Empire's service territory, and Empire will arrange for a presentation on PAYS Financing or a similar program at a Commission Agenda meeting.

e. Signatories agree that the Company will implement these or similar programs on January 1, 2017, or as soon as possible after January 1, 2017.

f. Signatories agree that the programs implemented on January 1, 2017, or as soon as possible after January 1, 2017, will have a term of not less than two (2) years.

g. Current regulatory asset treatment and rate base inclusion for costs will be continued as specified in Paragraph 15.

h. If the Commission orders a low-income rate pilot program in this case, the cost of the program will also receive regulatory asset/rate base treatment as specified in Paragraph 15.²

2. In this document, the Signatories stipulate and agree that Empire has fully complied with the provisions of the Rate Case Stipulation set forth above. Empire worked with the DSM group to investigate PAYS® financing and similar on-bill financing programs and the feasibility of administering such programs in Empire's service territory. The DSM group determined that a PAYS or any other on-bill financing program would not be included as one of Empire's four new DSM programs to be implemented by January 1, 2017, or as soon thereafter as possible. The Signatories stipulate and agree, however, that further study of PAYS and other on-bill financing models is appropriate. The Signatories believe that an Empire-specific study is beneficial, due to the unique nature of Empire's service territory.

3. Utilizing no more than \$50,000 of the \$1,250,000 total budget for the program year beginning in 2017, Empire shall hire an independent third-party consultant to perform a feasibility study of PAYS and other on-bill financing, with the study to be completed by May 31, 2018 (the "Feasibility Study"). The dollar impact of this Feasibility Study on the Company's four DSM programs is shown on the Revised Sheet No. 8e attached hereto.

4. The Feasibility Study shall include, but not be limited to, the following: (a) the potential for the Company to finance improvements compared with typical third party financing;

² Missouri Public Service Commission Case No. ER-2016-0023, *In the Matter of The Empire District Electric Company's Request For Authority to Implement a General Rate Increase for Electric Service*, Stipulation and Agreement, June 20, 2016, pages 6-7.

(b) the potential for the Company to “own” the improvements and include the improvements as part of rate base, versus a third party paying for such improvements; (c) the feasibility and potential impact of PAYS and other on-bill financing of energy efficiency measures, and the relation of PAYS and other on-bill financing to the Company’s DSM programs and potential; (d) the potential impacts of PAYS and other on-bill financing of energy efficiency improvements with regard to decoupling and other rate designs and the ultimate impact on customers; and (e) additional aspects that the Company finds have merit after a full study scope is developed.

5. If this Agreement is approved, the Company shall withdraw its proposed DSM tariff sheets which were submitted on December 2, 2016, but which have not yet been approved or otherwise taken effect, and the Company will submit and seek approval of the attached DSM tariff sheets. The Signatories stipulate and agree that there is good cause for the revised DSM tariff sheets to take effect on less than thirty days’ notice, and a joint motion for expedited treatment will be filed contemporaneously with the submission of the revised DSM tariff sheets. The revised DSM tariff sheets will vary from the DSM tariff sheets submitted on December 2, 2016, only as shown in redline format on the Revised Sheet No. 8e attached hereto.

WHEREFORE, the Signatories enter into this Stipulation and Agreement and respectfully request approval thereof by the Missouri Public Service Commission. The Signatories further request that the DSM tariff sheets attached hereto be approved to take effect on June 1, 2017.

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CERTIFICATE OF SERVICE

I hereby certify that the above and foregoing document was filed in EFIS on this 3rd day of May, 2017, with notice of the same being sent to all counsel of record.

/s/ Diana C. Carter