

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

In the Matter of the Second Prudence Review)
of Costs Subject to the Commission-)
Approved Fuel Adjustment Clause of The)
Empire District Electric Company.)
File No. EO-2011-0285

STAFF’S PRUDENCE REPORT AND RECOMMENDATION

COMES NOW the Staff (“Staff”) of the Missouri Public Service Commission, by and through counsel, and for its Report on Staff’s Prudence Review of Costs Related to the Fuel Adjustment Clause for the Electric Operations of The Empire District Electric Company (“Company” or “Empire”), states to the Missouri Public Service Commission (“Commission”), as follows:

1. Staff initiated this prudence review on March 4, 2010, and filed notice on March 9, 2011, it had started the prudence review. The notice filing initiated this File No. EO-2011-0285.
2. This is the second prudence review of costs subject to Empire’s fuel and purchased power adjustment clause (FAC). These prudence reviews are required to take place at least every eighteen months.¹
3. In Empire’s 2008 general electric rate case, Case No. ER-2008-0093, the Commission first approved Empire’s FAC. The Commission subsequently approved continuation of Empire’s FAC with modifications in its orders in the Company’s 2010 and 2011 general rate cases, Files Nos. ER-2010-0130 and ER-2011-0004.

¹ Commission Rule 4 CSR 240-20.090(7) and Section 386.266.6(4) RSMo Supp 2009.

4. Staff reviewed for prudence Empire's costs and revenues associated with its FAC for the period September 1, 2009, to February 28, 2011.

5. As explained in the attached report, based on its review, Staff has found no evidence of imprudence by Empire in the items it examined.

WHEREFORE, the Staff of the Commission hereby submits its report on its prudence review of the costs and revenues associated with Empire's Commission-approved fuel adjustment clause for the period September 1, 2009, to February 28, 2011.

Respectfully submitted,

/s/ Meghan E. McClowry

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed, sent by facsimile or hand-delivered to all counsel of record this 26th day of August, 2011.

/s/ Meghan E. McClowry