

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 20th day
of September, 2011.

In the Matter of the Second Prudence Review)
of Costs Subject to the Commission-Approved)
Fuel Adjustment Clause of The Empire District)
Electric Company)

Case No. EO-2011-0285

ORDER APPROVING STAFF'S PRUDENCE REVIEW

Issue Date: September 20, 2011

Effective Date: September 30, 2011

The Empire District Electric Company ("Empire") has used a fuel adjustment clause since the Commission approved the use of that clause in the company's general rate case, ER-2008-0093. Section 386.266.4(4) RSMo Supp. 2010, the statute that authorizes an electric utility to use a fuel adjustment clause, requires the Commission to conduct a prudence review of the utility's fuel costs no less frequently than at 18-month intervals. The 18-month prudence review is also required by Commission Rule 4 CSR 240-20.090(7) and by Empire's tariff.

On March 9, 2011, the Commission's Staff filed a notice stating that it started its prudence audit on that date. Commission Rule 4 CSR 240-20.090(7)(B) establishes a timeline that requires Staff to file a recommendation regarding the results of its audit no later than 180 days after it initiates its audit. The timeline then directs the Commission to issue an order regarding Staff's audit no later than 210 days after Staff initiates it audit, unless within 190 days some party to the proceeding requests a hearing.

Staff filed its report and recommendation regarding its prudence audit on August 26, 2011. No party requested a hearing by the 190th day after Staff initiated its audit. Therefore, the Commission may now consider Staff's report and recommendation.

Staff's report and recommendation regarding its prudence review states that Staff has conducted a review of all aspects of Empire's fuel costs as they are passed through to customers under the fuel adjustment clause. Staff does not identify any imprudence by Empire that would result in harm to the utility's ratepayers.

The Commission finds Staff's report and recommendation regarding its prudence review of Empire's fuel costs to be reasonable. No party has requested a hearing, or in any other way opposed or objected to Staff's recommendation. Therefore, the Commission will approve Staff's report.

THE COMMISSION ORDERS THAT:

1. Staff's Report regarding its prudence audit of the costs subject to The Empire District Electric Company's fuel adjustment clause is approved.
2. This order shall become effective on September 30, 2011.

BY THE COMMISSION



Steven C. Reed
Secretary

(S E A L)

Gunn, Chm., Davis, Jarrett,
and Kenney, CC., concur.

Pridgin, Senior Regulatory Law Judge