

Exhibit No.
Issues: Plant Operating & Maintenance
Expense Adjustments;
Iatan/Plum Point Plant O&M Tracker;
Existing Unit Upgrade Adjustments;
SPP Integrated Marketplace Costs
Witness: Blake A. Mertens
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Date Testimony Prepared: July 2012

Direct Testimony

of

Blake A. Mertens

July 2012



****Denotes Highly Confidential****

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BLAKE A. MERTENS
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2012-0345

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DIRECT TESTIMONY
OF
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THE EMPIRE DISTRICT ELECTRIC COMPANY
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MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2012-0345

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Blake A. Mertens. My business address is 602 South Joplin Avenue, Joplin,
4 Missouri.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. The Empire District Electric Company (“Empire” or “Company”), as Vice
7 President, Energy Supply.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

9 A. I graduated from Kansas State University in 2000 with a Bachelor of Science
10 Degree in Chemical Engineering with a minor in Business. I received a Masters
11 Degree in Business Administration from Missouri State University in December
12 2007. I am also a professionally licensed engineer in the state of Kansas.

13 **Q. PLEASE GIVE AN OVERVIEW OF YOUR PROFESSIONAL**
14 **EXPERIENCE.**

15 A. I was employed by Black & Veatch Corp. immediately following my graduation
16 from Kansas State University in May 2000. From June 2000 through November
17 2001, I held roles as a technical analyst and energy consultant for the Strategic
18 Planning Group of Black & Veatch’s Power Sector Advisory Services in the
19 Energy Services Division. Duties included assisting in power plant sitting

1 studies, economic analysis of potential power plants using production cost
2 modeling, independent engineering evaluations of plant assets, and market
3 analysis of the California energy crisis of 2000 – 2001. I went to work for Empire
4 in November 2001 as a Staff Engineer in Energy Supply where my duties
5 included tracking of plant capital and operating & maintenance (“O&M”)
6 expenses, involvement in energy supply regulatory issues, evaluation of new
7 generating resource options, assisting in the construction of new plant, and
8 assisting in the modeling and tracking of fuel and purchased power costs. In
9 2003, my title was changed to Planning Engineer with similar duties but more
10 responsibilities in the area of generation planning. In the fall of 2004 I took a
11 position as Combustion Turbine Construction Project Manager. In this position I
12 was responsible for the construction and commissioning of a 150 megawatt
13 (“MW”) combustion turbine at Empire’s Riverton Power Plant known as Riverton
14 Unit 12. Riverton Unit 12 went into commercial operation in April of 2007. In
15 the fall of 2006 I took on the position of Manager of Strategic Projects. In this
16 role I was responsible for the management of new generation and major projects
17 for Energy Supply facilities. This included representing Empire's interests at the
18 Iatan, Plum Point and other off-system generation facilities. In January 2010 my
19 duties were expanded to oversee Empire’s environmental and safety departments
20 and my title was likewise changed to Director of Strategic Projects, Safety, and
21 Environmental Services. In April 2011, I was promoted to my current position,
22 where I am responsible for power plant operations, fuel supplies, energy
23 procurement and marketing, and energy supply services. In my current position, I

1 am accountable for the proper budgeting and accounting of capital, operating, and
2 maintenance expenses for Empire's generation assets, both individually- and
3 jointly-owned.

4 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE**
5 **MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION")?**

6 A. Yes. I have presented testimony in several of Empire's recent rate cases.

7 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

8 A. I will support Empire's proposed adjustments in the following areas:

- 9 • Annual operation and maintenance expenses at Empire owned and
10 operated generating units;
- 11 • Iatan/Plum Point operation and maintenance expense tracker;
- 12 • Facility upgrades Empire's Asbury and State Line generation units; and
- 13 • Southwest Power Pool Integrated Marketplace operating costs.

14 **II. EMPIRE OPERATED PLANTS' OPERATING & MAINTENANCE**
15 **EXPENSE**

16 **Q. WHICH POWER PLANTS DOES EMPIRE OWN AND OPERATE?**

17 A. Empire solely owns and operates four power plants. They are the Asbury Power
18 Plant ("Asbury"), the Riverton Power Plant ("Riverton"), the Energy Center
19 Power Plant ("Energy Center"), and the Ozark Beach Dam and Hydroelectric
20 Plant ("Ozark Beach"). Empire also operates and jointly owns the State Line
21 Power Plant ("State Line"). Empire solely owns State Line Unit 1 and jointly
22 owns State Line Combined Cycle ("SLCC") with Westar Energy. Empire owns
23 60-percent of SLCC, and Westar owns the remaining 40-percent.

1 **Q. WHAT IS THE TEST YEAR LEVEL OF NON-LABOR O&M FOR**
2 **THESE PLANTS?**

3 A. For the twelve months ended March 31, 2012, non-labor O&M expenses total
4 \$10,971,009. This amount represents 100 percent of the non-labor O&M
5 expenses at the four solely owned and operated plants, 100 percent of State Line
6 Unit 1 expenses, 60 percent of SLCC O&M expenses (Westar is responsible for
7 the other 40 percent), and 66.67 percent of State Line Common expenses (Westar
8 is responsible for the other 33.33 percent). Please refer to Schedule BAM-1
9 attached to this testimony for a breakdown of these test year level of expenses as
10 well as historical values for comparison.

11 **Q. IS EMPIRE PROPOSING A NON-LABOR ADJUSTMENT TO THE TEST**
12 **YEAR IN THIS CASE?**

13 A. Yes. Empire is sponsoring an adjustment of \$1,253,384 to bring total non-labor
14 O&M expenses for these plants to \$12,224,393.

15 **Q. WHAT DOES THIS LEVEL OF O&M EXPENSE REPRESENT?**

16 A. This level of expenses represents the 2012 annual non-labor operation and
17 maintenance budgets for these generating units.

18 **Q. WHY HAS EMPIRE CHOSEN THIS LEVEL OF ANNUAL OPERATING**
19 **EXPENSES FOR THESE UNITS?**

20 A. Empire, as well as all other utilities and manufacturers across the United States,
21 has seen significant levels of escalation in its operating and maintenance expenses
22 at its generating units. While overall customer and load growth is relatively
23 stagnant, costs for durable and consumable goods have significantly increased

1 over the last several years. A comparison of Empire's 2012 budgeted cost for
2 non-labor O&M expenses to actual similar costs in 2007 shows a compound
3 annual growth rate ("CAGR") of 3.05-percent. See Schedule BAM-1 for further
4 details.

5 **Q. HOW WOULD YOU CHARACTERIZE THIS LEVEL OF COST**
6 **ESCALATION FOR NON-LABOR OPERATING AND MAINTENANCE**
7 **COSTS AT EMPIRE'S OWNED AND OPERATED GENERATION**
8 **UNITS?**

9 A. It is reasonable.

10 **Q. WHY?**

11 A. A review of two different statistics developed by the US Department of Labor
12 Bureau to track changes in consumer and producer prices reveal similar levels of
13 cost or price escalation. These two statistics are the Consumer Price Index
14 ("CPI") and Producer Price Index ("PPI"). Over a similar five year period (March
15 2007 through March 2012), the CPI and PPI grew at CAGR's of 2.34 percent and
16 4.13 percent, respectively. The average of these two CAGR's is 3.24 percent,
17 which is very similar to the 3.05 percent represented in Empire's 2012 budget for
18 this category of operating and maintenance costs.

19 **Q. WHY ARE THESE TWO PRICE INDICES RELEVANT FOR**
20 **COMPARISON?**

21 A. They are both independent indices produced by the United States government.
22 The CPI is a measure of the average change over time in the prices paid by urban
23 consumers for a market basket of consumer goods and services. Similarly, the

1 PPI measures the average change over time in the selling prices received by
2 domestic producers of goods and services. Further, these indices are commonly
3 used in the industry to adjust prices paid for goods and services. In fact, Empire's
4 long term service agreement with ** _____

5 _____
6 _____ **.

7 **Q. WHAT METHOD OF ADJUSTMENT HAS THE COMMISSION STAFF**
8 **(“STAFF”) SUPPORTED IN THE PAST RELATED TO EMPIRE’S**
9 **PLANT NON-LABOR O&M EXPENSES?**

10 A. Staff has supported an adjustment method that utilizes the annual average of
11 Empire's past five years of actual expenses.

12 **Q. HOW WOULD YOU CHARACTERIZE STAFF’S METHOD OF**
13 **ADJUSTING COSTS IN THIS AREA?**

14 A. The Staff's method is unreasonable.

15 **Q. PLEASE EXPLAIN.**

16 A. Using a five-year average during a period when costs are significantly and
17 continually escalating, basically ignores two and a half years of cost escalation
18 and establishes ongoing costs at a level two and a half years old and predates the
19 beginning of the current test year being used to establish Empire's revenue
20 requirement. For example, employing the Staff methodology and assuming a 3.05
21 percent annual cost escalation rate and ignoring two and a half years of escalation
22 would mean establishing ongoing cost levels 7.8 percent below the current level
23 of expenses. Using 7.8 percent of \$12,224,393 in ongoing costs as the starting

1 point, which represents the amount Empire believes accurately estimates 2012
2 level of expenses, the Staff methodology immediately results in an under-
3 recovery of \$954,268 per year going forward. The Staff's simple average
4 approach in this area produces unreasonable results and should not be adopted by
5 the Commission.

6 **III. IATAN AND PLUM POINT O&M**

7 **Q. WHAT IS EMPIRE'S OWNERSHIP INTEREST IN THE IATAN AND**
8 **PLUM POINT POWER PLANTS?**

9 A. Empire owns 12 percent of the Iatan Power Station. This includes the Iatan Unit
10 1, Iatan Unit 2, and Iatan Common facilities. Empire owns 7.52 percent of the
11 Plum Point facility. At both plants Empire pays its pro-rata ownership share of
12 O&M and capital expenditures.

13 **Q. WHAT WAS THE TEST YEAR LEVEL OF EXPENSES FOR THESE**
14 **FACILITIES?**

15 A. Excluding Air Quality Control System Consumables, which are recovered as part
16 of Empire's Fuel Adjustment Clause ("FAC"), Empire's pro-rata share of test
17 year expenses at Iatan and Plum Point were \$3,649,516 and \$1,548,983,
18 respectively, or \$5,198,498 in total. See Schedule BAM-1 for additional
19 breakdown.

20 **Q. IS EMPIRE PROPOSING ANY ADJUSTMENT TO THE IATAN AND**
21 **PLUM POINT EXPENSE LEVELS AS PART OF THIS CASE?**

22 A. No, not as long as the existing expense tracker remains in place with the base
23 expense levels established in Empire's last rate case, Case No. ER-2011-0004, for

1 these two generating units. Empire is proposing an adjustment as part of this case
2 to amortize accrued expenses in the existing regulatory tracker for these expenses
3 (see the Direct Testimony of Empire witness Jayna Long). Empire believes it is
4 reasonable and equitable for both Empire and its customers to continue utilizing a
5 tracker mechanism for these expenses in this case. If the Commission decides to
6 eliminate the expense tracking mechanism on these two units, the expense levels
7 at both of these plants will need to be increased to at least the expense levels
8 Empire incurred during the test. Empire's proposed rate increase does not include
9 such an increase in Iatan or Plum Point operating expenses.

10 **Q. WHY IS IT REASONABLE AND EQUITABLE TO CONTINUE AN**
11 **EXPENSE TRACKER FOR IATAN AND PLUM POINT O&M EXPENSES**
12 **IN THIS CASE?**

13 A. There are several reasons. First, Iatan Unit 2, parts of Iatan Common, and Plum
14 Point are new units; they all went into service in latter part of 2010 and have only
15 been in commercial operation for a little over 18 months. This means there is
16 very little operating history that can be used to determine ongoing expense levels.
17 In addition, both the Iatan and Plum Point facilities were affected by the flooding
18 of the Missouri and Mississippi Rivers, respectively, in the spring and summer of
19 2011 – periods that fall within the test year. These flooding events affected
20 operations at both plants and the overall level of ongoing operating expenses
21 incurred at each plant. Finally, since the units were new and still under warranty
22 for at least part of the test year, some expenses that normally would be incurred

1 by the owners of the facilities may have been covered by the warranties and paid
2 by the original equipment manufacturers.

3 **Q. SINCE IATAN UNIT 1 HAS BEEN IN-SERVICE FOR 30-PLUS YEARS,**
4 **DO ITS TEST YEAR AND HISTORICAL ANNUAL COSTS REPRESENT**
5 **NORMAL LEVELS OF O&M EXPENDITURE?**

6 A. No. Historically all of the then existing Iatan Common expenditures were lumped
7 into Iatan Unit 1's O&M costs; however, since Iatan Unit 1 and Iatan Unit 2 have
8 different ownership structures, it was necessary to break the billing out for Iatan
9 Common so the respective owners pay their pro-rata shares of Iatan Common.
10 Empire pays 12 percent of Iatan Common since it owns 12 percent of both Iatan
11 Unit 1 and Iatan Unit 2, but the other owners pay different shares of Iatan
12 Common since their ownership interests in the generating units is different. For
13 this reason, the historical Iatan Unit 1 level of annual expenditures is no longer a
14 valid proxy for normal levels of expenses.

15 **Q. HAS THE COMMISSION GRANTED TRACKERS FOR O&M**
16 **EXPENSES TO PARTIES WITH INTERESTS IN THE IATAN OR PLUM**
17 **POINT FACILITIES?**

18 A. Yes. Empire currently has such as tracker in place (refer to Direct Testimony of
19 Jayna Long).

20 **IV. GENERATING UNIT UPGRADES**

21 **Q. DOES EMPIRE HAVE ANY SIGNIFICANT CAPITAL PROJECTS AT**
22 **ITS EXISTING GENERATING FACILITIES THAT ARE NOT**

1 **REFLECTED IN PLANT-IN-SERVICE AS OF MARCH 31, 2012, BUT**
2 **ARE EXPECTED TO BE COMPLETE BY THE END OF THE YEAR?**

3 A. Yes. Specifically, Empire has two projects taking place within Energy Supply
4 that are ongoing and expected to be completed by year end. These two projects
5 are an upgrade to the digital control system (“DCS”) at the State Line Plant and
6 the construction of a new office and maintenance facility at the Asbury Plant.

7 **Q. PLEASE DESCRIBE THE DCS PROJECT TAKING PLACE AT STATE**
8 **LINE.**

9 A. Empire is upgrading the existing control systems on State Line Unit 1 and SLCC
10 to a T3000 software/platform manufactured by Siemens. This DCS upgrade was
11 performed during the recent spring outages of these units; in fact, the upgraded
12 DCS’s were placed into service and provisionally accepted as of May 31, 2012.

13 **Q. WHAT IS THE CAPITAL COST ASSOCIATED WITH THIS PROJECT?**

14 A. The total estimated cost of this project is \$4,054,074, which includes \$3,551,185
15 expended through the end of April 2012 and projected expenditures of \$502,889
16 to be paid by year’s end as the project is closed out. These total costs include our
17 owner’s engineer cost to implement the upgrade, the cost of the equipment and
18 software, Empire’s internal labor and overhead, and AFUDC. Please refer to
19 Schedule BAM-2 for additional details.

20 **Q. IS EMPIRE PROPOSING TO ADJUST PLANT-IN-SERVICE BY**
21 **\$4,054,074 FOR THIS PROJECT?**

22 A. No. As stated earlier in my testimony, Empire jointly-owns SLCC with Westar
23 (60 – 40 split), and, therefore, Westar is partially responsible for these costs.

1 Empire's share of the total project cost is \$2,588,118. Please refer to Schedule
2 BAM-2 for additional details.

3 **Q. PLEASE DESCRIBE THE ASBURY OFFICE AND MAINTENANCE**
4 **FACILITY PROJECT.**

5 A. Empire has contracted ** _____ ** to construct a new office and
6 maintenance facility at the Asbury Plant. These facilities are needed as the
7 original office and maintenance facility are over forty years old and need to be
8 replaced.

9 **Q. WHAT IS THE CAPITAL COST OF THIS PROJECT?**

10 A. The total estimated cost of this project, excluding AFUDC, is ** _____ **
11 (\$3,542,182 including AFUDC). This includes the costs for site preparation,
12 construction costs, furnishings, Empire project management labor and overhead,
13 and other miscellaneous items. Please refer to Schedule BAM-3 for additional
14 details.

15 **Q. IS EMPIRE PROPOSING TO ADJUST PLANT-IN-SERVICE BY**
16 **\$3,542,182 FOR THIS PROJECT?**

17 A. Yes. These facilities are scheduled and contracted to be complete by the end of
18 2012. To the extent the actual project costs differ from those budgeted, Empire
19 would adjust the project costs to the actual project expenditures.

20 **V. THE SPP INTEGRATED MARKETPLACE**

21 **Q. WHAT IS THE SPP INTEGRATED MARKETPLACE?**

22 A. Sometimes referred to as the "Next Day" or "Day 2" Marketplace, SPP's
23 Integrated Marketplace will be an energy market that will determine which SPP

1 member-owned generating units within the SPP footprint result in the most
2 economic dispatch used to meet the SPP participants requirements, provide the
3 SPP participants with better access to reserve electricity, and improve the SPP
4 regional balancing of supply and demand. Please refer to Schedule BAM-4,
5 which is a printout of the cover page of SPP's website on the Integrated
6 Marketplace, for additional details on the Integrated Marketplace.

7 **Q. WHEN WILL THE SPP INTEGRATED MARKETPLACE BE**
8 **IMPLEMENTED?**

9 A. SPP is targeting March 1, 2014 as a "GO-LIVE" date for the new marketplace.
10 According to SPP's schedule, participants must have their market systems in
11 place by the end of year 2012 to allow for interface testing with SPP in the first
12 quarter of 2013 to take place before system integration testing and mock trials to
13 begin on May 15, 2013. These dates are included in Schedule BAM-4.

14 **Q. WHAT TYPES OF COSTS WILL EMPIRE INCUR TO PARTICIPATE IN**
15 **THE SPP INTEGRATED MARKETPLACE?**

16 A. There are really three categories of costs: 1) software capital costs; 2) annual
17 software maintenance fees; and 3) additional direct Empire labor costs.

18 **Q. WHAT DOES EMPIRE ESTIMATE THE ORIGINAL SOFTWARE**
19 **CAPITAL COSTS TO BE?**

20 A. Empire has received preliminary quotations from **____**, the software
21 manufacturer and implementer Empire has chosen for this endeavor, for
22 Settlement, Market Interface, and Transmission Congestion Rights software. The
23 estimated cost of this software and its implementation is **_____**.

1 **Q. IS EMPIRE PROPOSING AN ADJUSTMENT TO PLANT-IN-SERVICE**
2 **FOR THE COST OF THIS SOFTWARE?**

3 A. Yes. Since SPP is scheduling this software to be in place by the end of 2012,
4 before the anticipated true-up date and well before rates are anticipated to go into
5 effect in this case, Empire is proposing an adjustment to rate base to reflect these
6 incremental capital costs.

7 **Q. WHAT IS THE ONGOING ANNUAL SOFTWARE MAINTENANCE FEE**
8 **RELATED TO THE SPP INTEGRATED MARKET?**

9 A. Again, Empire has received preliminary quotations from **** _____ ****, the software
10 manufacturer and implementer Empire has chosen for this endeavor, for
11 Settlement, Market Interface, and Transmission Congestion Rights software
12 maintenance fees. The estimated cost for annual software maintenance is
13 \$90,000, 10-percent of the original software cost.

14 **Q. IS EMPIRE PROPOSING AN ADJUSTMENT TO OPERATING AND**
15 **MAINTENANCE COSTS FOR THIS FEE?**

16 A. Yes. Again, since SPP is scheduling this software to be in place by the end of
17 2012, before the anticipated true-up date and well before rates are anticipated to
18 go into effect in this case, Empire is proposing an adjustment to annual operating
19 and maintenance costs to reflect this increase in software maintenance fees.
20 Empire would expect to have a contract in place with **** _____ **** before the end of
21 the year, as well.

22 **Q. ARE THERE ADDITIONAL EMPIRE LABOR COSTS ASSOCIATED**
23 **WITH THE SPP INTEGRATED MARKETPLACE?**

1 A. Yes. After much evaluation, Empire has decided to hire two additional people to
2 oversee Empire's initial implementation and long-term participation in the SPP
3 Integrated Marketplace. The first position Empire has added is Manager of RTO
4 Markets. This position, along with the Director of Supply Management, an
5 already existing position, will be responsible for managing next day market
6 bidding strategies for both sales and purchases of energy and ancillary services as
7 well as settlements associated with these transactions. The second position
8 Empire will add is a Market Risk Manager. This position will be responsible for
9 overseeing our annual and monthly bidding strategies for Transmission
10 Congestion Rights, another part of the Integrated Marketplace that provides for
11 hedging of power delivery through existing transmission rights. These two
12 positions will collectively manage day-to-day activities in the SPP Integrated
13 Marketplace with assistance from Empire's already in-place traders, analysts, IT
14 personnel, and accountants. The estimated combined salaries of the two new
15 positions (exclusive of benefits) are \$200,000 annually.

16 **Q. WHEN WILL EMPIRE HIRE PERSONNEL TO FILL THESE**
17 **POSITIONS?**

18 A. The Manger of RTO Market position was filled in April 2012. The second
19 position has been posted for bidding and is expected to be filled in the next month
20 or two.

21 **Q. IS EMPIRE PROPOSING AN ADJUSTMENT TO LABOR COSTS FOR**
22 **THESE POSITIONS?**

1 A. Yes. Empire witness Jayna Long has included these two positions in the
2 adjustment to Empire's overall payroll costs in this case.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes, it does.

THE EMPIRE DISTRICT ELECTRIC COMPANY
ANALYSIS OF O&M

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2012 B | Budget - Test Year |
|--|------------------------|------------------------|-------------------------|-------------------------|-------------------------|------------------------|-------------------------|------------------------|
| Ozark Beach | \$ 189,484.08 | \$ 204,022.08 | \$ 237,352.67 | \$ 279,873.69 | \$ 228,232.73 | \$ 71,569.17 | \$ 287,913.00 | \$ 44,909.18 |
| Asbury | \$ 2,119,540.18 | \$ 2,278,383.14 | \$ 3,600,365.96 | \$ 2,978,754.79 | \$ 3,046,626.23 | \$ 376,575.99 | \$ 3,522,133.00 | \$ 561,866.36 |
| Riverton | \$ 866,167.17 | \$ 1,541,845.28 | \$ 1,226,811.95 | \$ 2,482,388.73 | \$ 1,149,978.33 | \$ 581,697.02 | \$ 1,771,765.00 | \$ 242,144.72 |
| Stateline | \$ 125,253.97 | \$ 61,117.67 | \$ 101,961.54 | \$ 60,437.38 | \$ 123,249.09 | \$ 9,540.34 | \$ 138,550.00 | \$ 37,103.85 |
| SLCC (60%) | \$ 3,813,550.96 | \$ 4,585,794.82 | \$ 4,788,892.28 | \$ 3,593,136.32 | \$ 5,333,155.13 | \$ 822,264.74 | \$ 5,362,836.00 | \$ 243,548.77 |
| Stateline Common (66.7%) | \$ 509,300.76 | | \$ 627,731.65 | \$ 537,337.08 | \$ 476,478.38 | \$ 78,235.56 | \$ 507,263.94 | \$ 35,597.39 |
| Energy Center | \$ 895,991.61 | \$ 503,138.06 | \$ 495,053.63 | \$ 517,285.85 | \$ 614,734.56 | \$ 61,020.80 | \$ 623,912.00 | \$ 88,213.42 |
| Total Excluding Iatan 2, Common, & Plum Point | \$ 8,519,288.73 | \$ 9,174,301.05 | \$ 11,078,169.68 | \$ 10,429,213.84 | \$ 10,972,454.45 | \$ 2,000,903.62 | \$ 12,224,392.94 | \$ 1,253,383.69 |



Helping our members work together to keep the lights on... today and in the future

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Regional Entity



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About The Marketplace

Q&A | Newsletter | Calendar | Contacts

The Integrated Marketplace program is the latest – but most complex – incremental step in SPP’s evolutionary approach to improving our service to members and the region. By working closely together with our members, market participants, vendors, and customers, we can focus our collective energies on bringing the Marketplace online – and with it, stronger grid reliability and greater cost savings and efficiencies.

The Integrated Marketplace will determine which generating units should run the next day for maximum cost-effectiveness; provide participants with greater access to reserve electricity; improve regional balancing of supply and demand; and facilitate the integration of renewable resources.

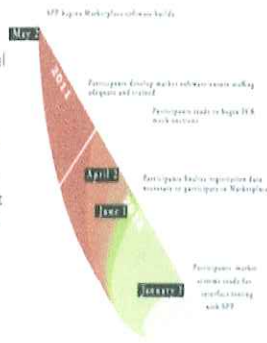
(Questions about the Marketplace? Contact SPP Customer Relations.)

The Marketplace is scheduled to go live March 1, 2014. However, our focus with those who will be competing in the new markets – the market participants – is May 15, 2013. By then, market participants will need to have completed their market systems and tested data transfers between those systems and the Integrated Marketplace.

The Integrated Marketplace will include:

- A Day-Ahead Market with Transmission Congestion Rights.
- A Reliability Unit Commitment process.
- A Real-Time Balancing Market (replacing the current Energy Imbalance Service Market).
- The incorporation of price-based Operating Reserves procurement.
- In addition, the current Balancing Authorities within the SPP footprint will combine to form a Consolidated Balancing Authority.

A 2009 cost-benefit study estimated the new markets would generate an additional \$45-100 million in annual net savings for the SPP footprint.



MAY 15, 2013
PARTICIPANTS READY FOR SYSTEM INTEGRATION

