

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

In the Matter of the Application of The)
Empire District Electric Company for a)
Certificate of Convenience and Necessity)
Related to its Customer Savings Plan)

Case No. EA-2019-0010

**POSITION STATEMENT OF THE
MIDWEST ENERGY CONSUMERS GROUP**

COMES NOW, the Midwest Energy Consumers Group, and submits its Positions to the List of Issues submitted on March 19, 2019:

Issue: Does the evidence establish that the Kings Point, Neosho Ridge, and North Fork Ridge wind projects for which The Empire District Electric Company ("Empire") is seeking certificates of convenience and necessity ("CCN") are "necessary or convenient for the public service" within the meaning of that phrase in section 393.170, RSMo.?

Position: Absent sufficient customer safeguards, the Commission should find that the certificates of convenience and necessity sought by Empire are not necessary to its provision of electric service. In this regard, MECG supports the position advanced by the Office of the Public Counsel.

The OPC concludes that Empire does not need these wind farms to satisfy any current or near term future Empire generation requirement. Empire asserts that the wind farms are an economic endeavor that will reduce Empire's business costs to its customers. These wind farms will likely cost Empire's ratepayers an extraordinary amount of money for power production they do not need, while Empire, and ultimately Algonquin and its shareholders, enjoy higher profits from the higher rates Empire charges its customers. OPC asserts that Empire's ratepayers should not be a backstop to wind farms that are unnecessary and that are not financially self-sustaining. OPC has found a great degree of speculation in Empire's revenue expectations from the Southwest Power Pool (SPP) over the next 30 years, and a lack of documentation for what Empire calls hedging and the finer points of the tax equity partnership agreements. The lack of documentation leaves OPC with an incomplete picture of all the costs of the wind farms and the

extent to which Empire plans for its ratepayers to ultimately be responsible for these unknown costs.

Issue: For each CCN the Commission grants, what conditions, if any, should the Commission deem to be reasonable and necessary, an impose?

Position: As pointed out, MECG believes that the Empire requests for a certificate of convenience and necessity is not necessary to the provision of electric service. Rather, safe and adequate service is and will continue to be provided through Empire's current generation fleet. Nevertheless, realizing that profits are tied directly to the utility's ability to find investment opportunities, Empire asks the Commission to endorse its plan to invest heavily in wind generation that is unnecessary. Empire seeks to create a sense of urgency by pointing to the potential expiration of production tax credits.

Recognizing that the Empire's investment in wind generation is not necessary for the current and future provision of safe and adequate service, the Empire plan is largely a speculative venture. Through this speculative venture, Empire seeks to have customers assume a significant amount of risk while shareholders pocket increased profits. This risk is primarily related to the capital and O&M costs related to the wind farms as well as the energy prices paid for the wind production in the SPP Integrated Marketplace.

In order to properly balance risk and benefits of the wind farm between ratepayers and shareholders, the Commission should impose conditions consistent with those advanced by the Commission Staff. Of primary importance, the Commission should require the implementation of an Market Protection Plan in the form advanced by Staff. The Market Protection Plan attempts to compare the revenues generated by selling the wind energy into the SPP Integrated Marketplace and compare those revenues against the various costs of the wind generation (return on investment, depreciation expense, fixed and variable O&M, property taxes and other costs).

To the extent that revenues do not exceed costs, then ratepayers are harmed. Given this, Staff recommends that a Market Protection Plan be implemented for the first ten years of service that holds ratepayers harmless from a situation in which revenues do not exceed costs. Importantly, Staff recommends that the Market Protection Plan be implemented as follows:

1. Remove the guarantee cap which was a negotiated value equal to \$35 Million;
2. Limit the value of PPA_Replacement to the amount calculated based upon the number of MWh generated to produce RECs in order to comply with the RES;
3. Incorporate mutually agreeable provisions to adequately balance risks and performance related to Transmission Congestion Rights (“TCRs”) and Auction Revenue Rights (“ARRs”) related to the Neosho Ridge interconnection point to Empire’s load serving area.
4. Inclusion of network interconnection costs in the revenue requirement for each project.

In addition, the Commission should order the following:

1. Completion of the SPP Definitive Impact System Impact Studies: Empire will demonstrate that the outstanding studies do not raise any new issues, and if they do, that the Commission is satisfied with Empire’s solution to address those issues.
2. Completion, and subsequent filing with the Commission, of a sensitivity analysis on curtailment and the dispatching down of each Wind Project: Empire will demonstrate that the analysis does not raise any new issues, and if it does, that the Commission is satisfied with Empire’s solution to address those issues.
3. Filing of the construction-level plans and specifications prior to commencing construction of each project: If the specifications materially change from those contained in the Applications, Empire must file an updated application for the Wind Project(s).
4. Filing of the evidence of all required permits and approvals of affected governmental bodies outlined in Empire’s response to Staff Data Request 0029;
5. Empire’s commitment to cap the total network upgrade costs for which recovery may be sought at Empire’s estimate plus 10% contingency;
6. Use of the in-service criteria contained in attached Schedule CME-r1 to determine whether the projects are in-service.

Respectfully submitted,



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ATTORNEY FOR THE MIDWEST ENERGY
CONSUMERS GROUP

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.



David L. Woodsmall

Dated: March 22, 2019