

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2012-0336, Empire District Electric Company Renewable Energy Standard
Compliance Plan for Calendar Years 2012, 2013, and 2014

FROM: Michael E. Taylor, Energy Unit – Engineering Analysis

<u>/s/ Daniel I. Beck</u> <u>5/29/12</u> Energy Unit / Date	<u>/s/ Jennifer Hernandez</u> <u>5/29/12</u> Staff Counsel's Office / Date
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SUBJECT: Staff Report and Conclusion on Empire District Electric Company's 2012 Renewable
Energy Standard Compliance Plan

DATE: May 29, 2012

CONCLUSION

The Staff has reviewed The Empire District Electric Company 2012 RES Compliance Plan. Based on its review, Staff has not identified any deficiencies. As noted in paragraph F. of the Discussion portion of this Memorandum, Staff considers that compliance with the requirements of 4 CSR 240-20.100(7)(B)1.F. would be a meaningless exercise for this filing and, therefore, only to the extent the Commission deems it necessary to do so, Staff recommends the Commission grant The Empire District Electric Company (Company) a waiver from the subparagraph.

OVERVIEW

On April 11, 2012, the Company filed its Renewable Energy Standard (RES) Compliance Plan (Plan) for calendar years 2012 through 2014 (Case No. EO-2012-0336). The Plan was filed in accordance with 4 CSR 240-20.100(7), Electric Utility Renewable Energy Standard Requirements, Annual RES Compliance Report and RES Compliance Plan. This rule states, in part, "Each electric utility shall file an annual RES compliance plan with the commission. The plan shall be filed no later than April 15 of each year." Subparagraphs 4 CSR 240-20.100(7)(B)1.A. through G. provide the minimum requirements for the plan. Subsection 4 CSR 240-20.100(7)(D) requires that Staff examine the plan and file a report within forty-five (45) days of the filing. This is the second compliance plan filing for the Missouri electric

utilities required by the Missouri Renewable Energy Standard, Sections 393.1020 through 393.1030, RSMo.

DISCUSSION

Staff has reviewed the Company's Compliance Plan in accordance with the established requirements to verify the Plan contains the information required by rule. The results of this review are detailed below, with appropriate rule subparagraphs A. through G. identified and quoted.

A. "A specific description of the electric utility's planned action to comply with the RES;"

The Company explained in detail its completed and planned actions for compliance with the RES for 2012, 2013, and 2014. For non-solar compliance, the Company will utilize renewable energy certificates (RECs) from Ozark Beach Hydroelectric facility located in Taney County, Missouri and/or purchased power agreements (PPAs) from two wind farms, Elk River located in Butler County, Kansas, and Meridian Way located in Cloud County, Kansas. The Company is exempt from the solar requirements of the RES (393.1050, RSMo). The Company-owned hydro-electric generation will qualify for the Missouri in-state one and twenty-five hundredths (1.25) credit¹.

B. "A list of executed contracts to purchase RECs (whether or not bundled with energy), including type of renewable energy resource, expected amount of energy to be delivered, and contract duration and terms;"

The Company has 20 year PPAs for energy and RECs from the Elk River Wind Farm and Meridian Way Wind Farm, effective December 10, 2004 and June 19, 2007, respectively.

C. "The projected total retail electric sales for each year;"

¹ 393.1030.1., RSMo; 4 CSR 240-20.100(3)(G)

The Company has provided values for projected retail electric sales. The values appear to be reasonable estimates and consistent with its most recent annual update for electric utility resource planning.

- D. “Any differences, as a result of RES compliance, from the utility’s preferred resource plan as described in the most recent electric utility resource plan filed with the commission in accordance with 4 CSR 240-22, Electric Utility Resource Planning;”**

The Company filed its most recent triennial compliance filing in February 2011 and its most recent annual update report on March 20, 2012. The Plan is consistent with the information regarding renewable resources in its February 2011 preferred resource plan and its annual update for 2012.

- E. “A detailed analysis providing information necessary to verify that the RES compliance plan is the least cost, prudent methodology to achieve compliance with the RES;”**

The Company provided information regarding its utilization of existing resources to comply with the non-solar portion of the RES for 2012 through 2014. The costs associated with these resources are already included in revenue requirements.

- F. “A detailed explanation of the calculation of the RES retail rate impact limit calculated in accordance with section (5) of this rule. This explanation should include the pertinent information for the planning interval which is included in the RES compliance plan:”**

Based on the Plan costs for calendar years 2012, 2013, and 2014 compared to one percent (1%) of the current revenue requirement for the Company, the rate impact limit should not be exceeded. The calculation of the rate impact limit as specified in the RES rule is a methodology to compare RES compliance costs with costs associated with addition of a similar amount of non-renewable generation.

This subparagraph of the rule provides for a detailed calculation of the retail rate impact to ensure that the statutory requirement of limiting the RES impact to one percent (1%) is met.

The rule requires a calculation to net the least-cost of renewable generation for RES compliance with the cost to provide an equivalent amount of generation from nonrenewable resources. This netting would effectively reduce the cost attributed to RES compliance for purposes of meeting the limit. Since the Company's costs for these compliance periods are significantly below the one percent (1%) retail rate impact limit, performing the detailed netting calculation literally serves no purpose.

Staff considers the level of detail for the rate impact calculation to be subjective. For the Company to expend significant resources to provide a more detailed calculation would serve no purpose, since the requirements for this plan period are met utilizing existing resources. Because the costs associated with its wind PPAs and its Ozark Beach hydroelectric facility are already included in its rates, the Company states in its filing that the Company does not anticipate a retail rate impact for the Plan period. The anticipated costs are associated with the registration and retirement of RECs in the North American Renewables Registry. The Company did not request a waiver from this rule subparagraph. Because the detailed calculation would serve no purpose in this instance, Staff would not seek for the Commission to enforce literal compliance with this rule provision, whether the Company requested relief or not. Staff recommends that the Commission grant a waiver from this subparagraph if the Commission deems it necessary to do so.

G. "Verification that the utility has met the requirements for not causing undue adverse air, water, or land use impacts pursuant to subsection 393.1030.4. RSMo, and the regulations of the Department of Natural Resources."

The Company states that it has met these requirements to the best of its knowledge. The Company states in its Plan that, to its knowledge, it has "received all necessary environmental and operational permits and are in compliance with any necessary federal, states and/or local requirements related to air, water and land use."

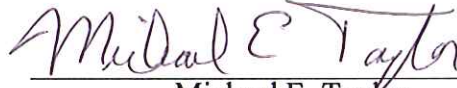
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company's Submission of its 2012 RES) Case No. EO-2012-0336
Compliance Plan)

AFFIDAVIT OF MICHAEL E. TAYLOR

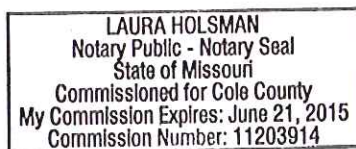
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael E. Taylor, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Report in memorandum form, to be presented in the above case; that the information in the Staff Report was provided to him; that he has knowledge of the matters set forth in such Staff Report; and that such matters are true to the best of his knowledge and belief.



Michael E. Taylor

Subscribed and sworn to before me this 29th day of May, 2012.





Notary Public