

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2012-0336, Empire District Electric Company Renewable Energy Standard
Compliance Report for Calendar Year 2011

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 2011 Renewable
Energy Standard Compliance Report

DATE: May 29, 2012

CONCLUSION

The Staff has reviewed The Empire District Electric Company's (Company) 2012 Renewable Energy Standard (RES) Compliance Report (Compliance Report). Based on its review, Staff has not identified any deficiencies. Staff notes one discrepancy in Section D of the Discussion portion of this Memorandum. The Company did not include the value of the renewable energy generated by a company-owned facility. As noted in paragraph D., Staff considers that compliance with the requirements of 4 CSR 240-20.100(7)(A)1.D. would be a meaningless exercise for this filing. Since the energy was generated at a hydroelectric facility that has been included in the utility's rate base for a number of years, Staff does not consider this an item that requires correction. Therefore, only to the extent the Commission deems it necessary to do so, Staff recommends the Commission grant the Company a waiver from the subparagraph.

OVERVIEW

On April 11, 2012, the Company filed its Compliance Report for calendar year 2011 (Case No. EO-2012-0336). The Compliance Report 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 RES compliance report no later than April

15 to report on the status of the utility's compliance with the renewable energy standard and the electric utility's compliance plan as described in this section for the most recently completed calendar year. The initial annual RES compliance report shall be filed by April 15, 2012, for the purpose of providing the necessary information for the first RES compliance year (2011)." Subparagraphs 4 CSR 240-20.100(7)(A)1.A. through N. provide the minimum requirements for the Compliance Report. Subsection 4 CSR 240-20.100(7)(D) requires that Staff examine the Company's Compliance Report and file a report within forty-five (45) days of the filing. This is the first Compliance Report filing for the Missouri electric utilities required by the Missouri Renewable Energy Standard, Sections 393.1020 through 393.1030, RSMo.

Staff has utilized MissouriRECS (North American Renewables Registry) to independently verify the retirement of the RECs by the Company.

DISCUSSION

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

A. "Total retail electric sales for the utility, as defined by this rule:"

The Company provided the total retail electric sales for 2011 expressed as total megawatt-hours (MWh) sold to ultimate consumers. This amount (4,142,916 MWh) is consistent with the 2011 FERC Form 1 filed on May 15 and 16, 2012.

B. "Total jurisdictional revenue from the total retail electric sales to Missouri customers as measured at the customers' meters;"

The Company provided the total retail electric sales for 2011 expressed as annual operating revenues (dollars) from ultimate consumers. This amount (\$418,956,495) is consistent with the 2011 FERC Form 1 filed on May 15 and 16, 2012.

C. “Total retail electric sales supplied by renewable energy resources, as defined by section 393.1025(5), RSMo, including the sources of the energy;”

The Company retired 68,786 renewable energy certificates (RECs) for compliance purposes. These RECs were produced by generation located in the State of Missouri, thus qualifying for the one and twenty-five hundredths (1.25) credit multiplier allowed by statute and regulation.¹ With the credit multiplier, the total compliance REC credit was 85,982.5. Based on the total retail sales of 4,142,918 MWh, the required amount of renewable energy² (or RECs) is 82,858.3 RECs. The retired RECs were vintage 2008 and 2009 RECs from the Ozark Beach Hydroelectric Project (Ozark Beach).

D. “The number of RECs and S-RECs created by electrical energy produced by renewable energy resources owned by the electric utility. For the electrical energy produced by these utility-owned renewable energy resources, the value of the energy created. For the RECs and S-RECs, a calculated REC or S-REC value for each source and each category of REC;”

The Company reported that the Company-owned Ozark Beach generated 48,971 MWh in 2011. As noted in the above section, these MWhs would be eligible for the 1.25 credit multiplier for in-state generation, therefore equivalent to 61,214 RECs for compliance purposes. The value of the energy was not reported by the Company. In this situation, the exclusion of the value of this energy is not significant. Staff considers that compliance with the requirements of 4 CSR 240-20.100(7)(A)1.D. would be a meaningless exercise for this filing. Since the energy was generated at a hydroelectric facility that has been included in the utility’s rate base for a number of years, Staff does not consider this an item that requires correction. Therefore, only to the extent the Commission deems it necessary to do so, Staff recommends the Commission grant the Company a waiver from the subparagraph.

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

² Pursuant to 4 CSR 240-20.100(2)(C)1., the amount of RECs necessary is determined by calculating two (2) percent of the Company’s total retail electric sales.

The Company did not provide a value for the RECs produced because there is not a viable market for hydroelectric RECs. The value of the RECs is implied only when these RECs can be utilized for compliance thus limiting the rate payer impact.

The Company is exempt from the solar requirements of the RES.³

E. “The number of RECs acquired, sold, transferred, or retired by the utility during the calendar year;”

The Company provided information regarding its utilization of RECs for compliance. The Company acquires RECs through its two purchased power agreements (PPAs) with wind generating facilities. The Company has not utilized these RECs for compliance with the Missouri RES. The Company also produces RECs from its owned hydroelectric facility. Since the Company is not utilizing the wind RECs (and not registering them for Missouri compliance purposes), no additional information regarding those RECs was reported. Staff verified that the Company retired 68,786 Ozark Beach RECs. These RECs were registered and retired in the electronic tracking system utilized for compliance purposes.⁴ In accordance with statute and regulation, these RECs were produced by a qualified facility and were banked and utilized appropriately.⁵

F. “The source of all RECs acquired during the calendar year;”

See comments in Section E. of this report.

G. “The identification, by source and serial number, of any RECs that have been carried forward to a future calendar year;”

The Company provided a listing of RECs that are being carried forward for future year(s) as Attachment 1 of the Compliance Report.

³ 393.1050, RSMo

⁴ MissouriRECS (North American Renewables Registry): <http://missourirecs.com/>

⁵ Qualified facility per 393.1025.(5), RSMo and 4 CSR 240-20.100(1)(K)8.; Banked RECs per 393.1030.2., RSMo and 4 CSR 240-20.100(1)(J).

H. An explanation of how any gains or losses from sale or purchase of RECs for the calendar year have been accounted for in any rate adjustment mechanism that was in effect for the electric utility;”

The Company did not purchase or sell any RECs related to Missouri RES compliance.

I. “For acquisition of electrical energy and/or RECs from a renewable energy resource that is not owned by the electric utility, the following information for each resource that has a rated capacity of ten (10) kW or greater:

(I) Name, address, and owner of the facility;

The Company provided the necessary information for the two (2) wind energy facilities with existing PPAs. Since the RECs associated with these two (2) facilities are not being utilized for Missouri RES compliance, no additional information was provided or necessary.

(II) An affidavit from the owner of the facility certifying that the energy was derived from an eligible renewable energy technology and that the renewable attributes of the energy have not been used to meet the requirements of any other local or state mandate;

See Subsection I.(I) above.

(III) The renewable energy technology utilized at the facility;

See Subsection I.(I) above.

(IV) The dates and amounts of all payments from the electric utility to the owner of the facility;

See Subsection I.(I) above.

(V) All meter readings used for the calculation of the payments referenced in part (IV) of the paragraph;”

See Subsection I.(I) above.

J. “The total number of customers that applied and received a solar rebate in accordance with section (4) of this rule;”

The Company is exempt from the solar requirements of the RES. The Company provided a copy of a Memorandum (dated January 7, 2009) documenting this exemption.

K. “The total number of customers that were denied a solar rebate and the reason(s) for denial;”

The Company is exempt from the solar requirements of the RES.

L. “The amount of funds expended by the electric utility for solar rebates, including the price and terms of future S-REC contracts associated with the facilities that qualified for the solar rebates;”

The Company is exempt from the solar requirements of the RES.

M. “An affidavit documenting the electric utility’s compliance with the RES compliance plan as described in this section during the calendar year. This affidavit will include a description of the amount of over- or under-compliance costs that shall be adjusted in the electric utility’s next compliance plan;”

The Company provided an affidavit documenting compliance with the RES. There were no over- or under-compliance costs; therefore no adjustments are necessary in the Company’s next compliance plan.

N. “If compliance was not achieved, an explanation why the electric utility failed to meet the RES.”

As described in Discussion paragraph C., the Company achieved compliance with the Missouri RES for calendar year 2011.

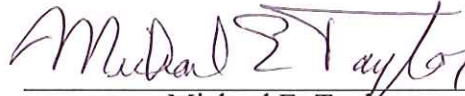
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company's Submission of its 2011 RES)
Compliance Report) Case No. EO-2012-0336

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.

LAURA HOLSMAN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914



Notary Public