

Attachment C

Responses of Empire District Electric Company to Missouri Investor-Owned Electric Utility Questions

General Questions

Please provide any comments or suggestions to the attached proposed amendment to 20 CSR 4240-20.060 Cogeneration and Small Power Production (Staff Version 1).

In response to this question, please see Section I of the Joint Comments.

Please identify any issues or concerns from implementation of PURPA in other states that the Commission should consider when reviewing the current draft of the rule.

In response to this question, please see Section II of the Joint Comments.

The proposed amendment, Staff Version 1, includes two tiers for establishment of the Standard Rates for Purchase and Standard Contracts. For purchases from qualifying facilities (QF) with a design capacity of: (1) 100 kW or less; and (2) over 100 kW to 1,000 kW.

a. Should the second tier be modified to extend to 5,000 kW? Please explain your response.

In response to this question, please see Section II of the Joint Comments.

Describe your utility's existing application and review process for qualifying facility (QF) interconnections. Include in your description how the applicable interconnection costs are determined and how/if the process differs if the QF is interconnecting to distribution or transmission. Provide any available supporting documentation such as process flow-charts.

Empire's existing application and review process is described in Empire's Parallel Generation Application Attachment. Empire currently does not charge customers for interconnection (customer) side of the meter. However, we have incurred operational cost on the (Company) side of the meter. As of this writing, we do not have any contracts or agreements that are classified as interconnections to distribution or transmission. Please see the Empire Interconnection Process (Flow Chart) Attachment the Company currently

uses for “Net Metering” (Solar Rebates). Should the proposed rule be implemented, this flow chart may be used for (QF) interconnections.

Questions on FERC revised rule implementing the Public Utility Regulatory Policies Act of 1978

Rates for Purchase.

Should the Commission require that energy rates in QF contracts vary with changes in the purchasing utility's avoided costs at the time the energy is delivered? If so, provide suggested rule language.

In response to this question, please see Section II of the Joint Comments.

Rates for Purchase.

Should the Commission allow QFs to retain their rights to fixed energy rates, and to allow such rates to be based on projected energy prices during the term of a QF's contract? If so, provide suggested rule language.

In response to this question, please see Section II of the Joint Comments.

Rates for Purchase.

Should the Commission set "as available" rates at the locational marginal price (LMP) when the utility is located in an organized wholesale market? If so, provide suggested rule language.

In response to this question, please see Section II of the Joint Comments.

Rates for Purchase.

Should the Commission set rates for energy rates or capacity rates based on competitive solicitations? If so, what transparent and non-discriminatory procedures are needed to be included in Commission rules?

In response to this question, please see Section II of the Joint Comments.

"One-Mile Rule." Is it sufficient to reference 292.204 Criteria for qualifying small power production facilities in the Commission's rule to incorporate FERC's changes to the "one-mile rule"?

In response to this question, please see Section II of the Joint Comments.

Termination of the obligation to purchase. What modifications, if any, are needed to address the rebuttable presumption that small power producers located within an RTO/ISO with a net capacity of 5 MW (previously 20 MW) or less do not have nondiscriminatory access to those markets?

In response to this question, please see Section II of the Joint Comments.

Legally Enforceable Obligation (LEO). What objective and reasonable criteria should be used to determine a QF's commercial viability and financial commitment to construction for establishment of a LEO?

In response to this question, please see Section II of the Joint Comments.

Self-Certification. Are any modifications needed to the Commission rule to address FERC changes regarding QF self-certification or protests of self-certification?

In response to this question, please see Section II of the Joint Comments.

Questions related to Costs and/or Benefits of the Rule

Costs to Utility – Development of Technical Standards

Does your utility have existing technical standards for the interconnection of cogeneration and small power producers or net-metered systems?

Empire does have technical standards for systems 100 kW but does not have technical standards for net-metering systems over 100 kW.

If not, provide a cost estimate for the development of interconnection standards. Separately, provide an estimate to request approval of those technical standards with the Commission.

Empire's cost for developing technical standards for systems over 100 kW will vary based on the need to leverage internal and external legal, regulatory, and operational experts to develop these standards. However, Empire may work with other Liberty utilities to leverage internal resources to potentially reduce any potential costs.

If so, provide an estimate to request approval of those technical standards with the Commission.

Empire's costs to process a case before the Commission requesting approval of these technical standards will vary based on the need to leverage internal and external legal, regulatory, and operational experts to develop these standards. The Company plans to

leverage existing internal resources to the extent possible and may engage with outside experts as necessary.

Provide the cost of periodic revisions to the technical standards.

Empire costs will vary based on the need to leverage internal and external legal, regulatory, and operational experts to develop these standards. These costs are subject to change based on the level of involvement from internal and external resources.

Costs to Utility – Development of a Standard Contract template

Does your utility have an existing contract used for cogeneration and small power production requests?

Empire currently has an agreement for parallel generation, however this agreement should be reviewed and rewritten to comply with the developed engineering and interconnection and cogeneration standards that are to be determined.

If so, please provide an example.

The Empire Parallel Generation Application agreement is attached to this response.

Provide a cost estimate for the development of a Standard Contract.

The development of a standard contract would involve Empire's internal operations, regulatory, and legal staff along with the possible engagement of external legal and operational consultants.

Provide a cost estimate for the filing and approval of those Standard Contracts with the Commission.

The Company's cost estimate for filing and approval would be similar to the filing and approval of technical standards. The total cost would vary depending on the level of involvement from internal and external resources.

Provide a cost estimate for periodic revisions to the Standard Contract.

The development of a standard contract would involve Empire's internal operations, regulatory, and legal staff along with the possible engagement of external legal and operational consultants. The total cost would vary depending on the level of involvement from internal and external resources.

Costs to Utility – Interconnection Studies

Provide a 5-year historical summary of the cost to your utility of completing system interconnection studies. Separately identify the cost of interconnections studies completed on behalf of your own utility, other utilities, cogeneration and small power producers, and others. Separately identify the cost of distribution and transmission system studies.

Empire has not tracked the historical cost of completing system interconnection studies.

Based on the past 5-years, separately provide the average cost of system upgrades identified through interconnection studies completed for your utility, other utilities, cogeneration and small power producers, and others. Separately identify the cost of distribution and transmission system upgrades identified through interconnection studies.

Empire has not tracked the average cost of system upgrades identified through interconnection studies.

Does your utility expect the standard contracts and implementing a standard rate for purchases from cogeneration and small power producers above 100 kW will result in additional interconnection requests? If so, please provide an incremental cost estimate based on projected interconnection requests over the next 5-years.

Increasing the eligible kW could increase the amount of interconnection requests the Company receives, but Empire does not have an estimate for costs or a projection of the number of increases over the next 5 years at this time.

Does your utility expect to see a difference in interconnection study costs if the standard rate for purchase is offered up to 1 MW or if it is offered up to 5 MW? If so, please provide an incremental cost estimate for each proposed tier.

Increasing the number of interconnection studies could increase the Company's interconnection study costs, but Empire does not currently have a projection of interconnection request changes or the associated costs with those increased requests.

How does the utility pay for interconnection studies?

Currently, interconnection studies are performed in accordance with the Company's technical standards for systems of 100 kW or less using internal resources. Payroll expenses are recovered through base rates.

Does the purpose of the interconnection study determine how the costs are recovered (i.e., through rates or directly from a small power producer)? Please explain.

Because current study requests are only processed using internal resources, these costs are recovered through base rates. Future studies may require external resources, and Empire has not yet determined how these costs may be recovered.

Costs to Utility – Energy and/or capacity payments

Provide a 5-year historical summary of energy and/or capacity payments related to the existing cogeneration rule and net-metering rule.

At this time, our contracts and agreements are housed under the Net Metering (NM) rule, although those credits are being paid out at the CP rate. Over the past 5 years, we have paid out a total of \$5,465,488.04 in energy credits to Net Metering customers.

Does your utility expect the standard contracts and implementing a standard rate for purchases from cogeneration and small power producers above 100 kW will result in additional energy and/or capacity payments? If so, provide an estimate of the incremental cost.

At this time, we have a standard Agreement for Net Metering over 100kW, but the Agreement for Cogeneration would be standardized to conform to any new rule implementation. In estimating future payments for cogeneration, it is important to

distinguish the difference between cogeneration for the use of a customer's own load and cogeneration for sale by private producers on the grid. At this time, we are stating in our agreements that the primary purpose of the generation is for the customer's own use. We will continue to see increased requests for cogeneration over 100kW with payments each year.

Does your utility expect to see a difference in energy and/or capacity payments if the standard rate for purchase is offered up to 1 MW or I it is offered up to 5 MW? IF so, please provide an incremental cost estimate for each proposed tier.

The payment differences for customers generating for their own use vs. an independent power producer are significant. If agreements are written with the primary purpose of the customers use, we may see increases incrementally as these customers investigate some generation. However, if agreements are written to include independent power producers, we will pay the full amount in accordance with the CP rate.

Costs to Utility – Tracking of data related to interconnections

Provide a description of how your utility currently tracks interconnections, for example, to comply with net-metering reporting requirements or for its own distribution system planning efforts.

Empire does not currently track interconnection requests. Each request is handled on a case-by-cases basis and handled in accordance with the existing technical standards.

Provide an incremental cost estimate to expand that tracking as proposed in the draft rule.

Empire may have incremental cost increases depending on the development of technical standards pursuant to the draft rule. However, the company does not have an estimate for the incremental cost of expanded tracking at this time.

Costs and benefits to ratepayers

Provide an estimate of the costs and benefits to Missouri ratepayers of the proposed rule.

In response to this question, please see Section II of the Joint Comments.

Is there a cost to ratepayers, small power producers or other stakeholders not covered by these questions? If so, please describe and provide an estimate.

In response to this question, please see Section II of the Joint Comments.