

Exhibit No.

Issue: _____

Witness: Bary K. Warren

Type of Exhibit: Direct Testimony

Sponsoring Party: Empire District Electric

Case No. EO-2012-0269

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

DIRECT TESTIMONY

OF

BARY K. WARREN

ON BEHALF OF

THE EMPIRE DISTRICT ELECTRIC COMPANY

JULY 2013

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1 **I. INTRODUCTION**

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

3 A. My name is Bary K. Warren and my business address is 602 Joplin Avenue, Joplin,
4 Missouri.

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

6 A. I am presently employed by The Empire District Electric Company. (“Empire” or
7 “Company”) as the Director of Transmission Policy and Compliance. I have been
8 employed by Empire for more than 10 years and in the electric industry for over 27 years.
9 My current responsibilities include the development, implementation, and advocacy of
10 corporate transmission policy and strategy as well as oversight of balancing authority and
11 transmission system operations, NERC reliability compliance and reporting. I also
12 monitor and participate in FERC and multiple state commission regulatory proceedings,
13 as well as SPP stakeholder committees, such as the SPP Seams Steering Committee,
14 Markets and Operations Policy Committee, Regional Tariff Working Group, RSC Cost
15 Allocation Working Group, Regional Entity Trustees, Regional State Committee, Board
16 of Directors, and the Regional Allocation Review Task Force.

17 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

1 A. I hold a Masters in Business Administration with High Honors from Oklahoma City
2 University and Bachelors of Science Degree in Electrical Engineering from the
3 University of Missouri at Rolla.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN A PROCEEDING AT THE**
5 **MISSOURI PUBLIC SERVICE COMMISSION (“COMMISSION”) OR BEFORE**
6 **ANY OTHER UTILITIY REGULATORY AGENCY?**

7 A. I have presented written testimony before the Arkansas Public Service Commission,
8 Oklahoma Corporation Commission, and this Commission in Cases EO-2013-0396 and
9 EO-2013-0431. I have also provided formal comments before the Federal Energy
10 Regulatory Commission and have been actively involved in other capacities in numerous
11 proceedings before this Commission, including discussions at technical conferences,
12 settlement meetings, and workshops.

13 **II. PURPOSE**

14 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE**
15 **BEFORE THE COMMISSION?**

16 A. The purpose of my testimony is to support Empire’s Interim Report and proposal that the
17 Commission issue an order permanently approving the continued participation of Empire
18 in the Southwest Power Pool, Inc. Regional Transmission Organization (“SPP or SPP
19 RTO”) beyond January 31, 2014.

20 **III. BACKGROUND**

21 **Q. DOES EMPIRE CURRENTLY HAVE THE COMMISSION’S APPROVAL TO**
22 **PARTICIPATE IN THE SPP?**

23 A. Yes.

1 **Q. WHEN WAS THAT APPROVAL OBTAINED?**

2 A. Empire obtained the Commission's approval to transfer conditional and interim
3 functional control of certain transmission assets to the SPP in File No. EO-2006-0141.
4 The approval was granted by the Commission as a result of an Order Approving
5 Stipulation and Agreement issued on June 13, 2006, and a subsequent Order Granting
6 Motion for Clarification issued on July 13, 2006. As was suggested by the title, the
7 Commission's order approved a Stipulation and Agreement (Stipulation) between the
8 parties.

9 **Q. WHAT DID THE STIPULATION INDICATE IN REGARD TO THE DURATION**
10 **OF THE APPROVAL?**

11 A. The Stipulation stated as follows in regard to the interim approval:

12 Empire, Staff and Public Counsel further agree and SPP acknowledges that the
13 approval is interim and conditional during a term of seven (7) years following the
14 Effective Date ("Interim Period"), as the Effective Date is determined in Section
15 II.A.(2)(g) herein, unless extended pursuant to Section II.E(2) herein. If the
16 MoPSC does not issue an order to terminate or extend its interim approval prior to
17 the end of the Interim Period, approval of such participation shall no longer be
18 deemed to be interim.

19
20 Stipulation, II.A.(1).

21
22 **Q. WHAT WAS THE "EFFECTIVE DATE"?**

23 A. The effective date as referenced in the stipulation (and defined by II.A(2)(g) in the
24 Stipulation) was February 1, 2007, a date "90 days after the later of: i) the issue date of
25 the last state regulatory approval(s) required for Empire's transfer of functional control;
26 and ii) the date the Service Agreement has been accepted or approved by the FERC."¹

27 **Q. GIVEN THE FEBRUARY 1, 2007 EFFECTIVE DATE, WHEN DOES THE**
28 **INTERIM PERIOD CONCLUDE?**

¹ See Notice of Exercise of Authority, File No. EO-2006-0141, filed February 5, 2007.

1 A. Empire's Interim Period will conclude on January 31, 2014.

2 **Q. WHAT ACTIONS MAY BE TAKEN BY THE COMMISSION PRIOR TO THE**
3 **END OF THE INTERIM PERIOD?**

4 A. The Stipulation indicated as follows in regard to the Commission's options during the
5 Interim Period:

6 Empire, Staff and Public Counsel acknowledge that 1) prior to the end of the
7 Interim Period, the MoPSC has the jurisdiction to order that Empire's approval
8 for participation in SPP be terminated, modified, or further conditioned; and 2) if
9 the MoPSC rescinds its approval of Empire participation in SPP, the MoPSC has
10 the jurisdiction to require Empire to timely initiate any notices, filings and actions
11 necessary to seek withdrawal.

12
13 Stipulation, II.D.(1).

14
15 **Q. DID EMPIRE HAVE ANY OBLIGATIONS PRIOR TO THE END OF THE**
16 **INTERIM PERIOD?**

17 A. Yes. To assist the Commission in determining how to proceed, the Stipulation required
18 the following:

19 Empire will file, two years prior to the conclusion of the Interim Period, a
20 pleading with the MoPSC regarding the matter of its continued participation
21 beyond the Interim Period. This filing will address, among other things, whether a
22 service agreement or similar mechanism for the provision of transmission service
23 to Missouri Bundled Retail Load would be in effect between Empire and any
24 Transmission Organization in which Empire may participate. Concurrently with
25 the filing of its pleading, Empire will file with the MoPSC a completed Interim
26 Report in which it presents the costs and estimated benefits from having
27 participated in the SPP EIS markets.

28
29 Stipulation, II.D.

30 **IV. INTERIM REPORT PROCESS**

31 **Q. WAS EMPIRE SOLELY RESPONSIBLE FOR THE INTERIM REPORT**
32 **PROCESS?**

1 A. No. Empire was directed to collaborate with the Staff of the Commission (“Staff”) and
2 the Office of the Public Counsel (“Public Counsel”) as to the nature and scope of analysis
3 to be used for the Interim Report. Stipulation, II.D.

4 **Q. DID EMPIRE COLLABORATE WITH STAFF AND PUBLIC COUNSEL, AS**
5 **DIRECTED?**

6 A. Yes. Empire personnel held teleconferences with Staff and Public Counsel
7 representatives on several occasions beginning in the fall of 2011 to discuss the nature
8 and scope of the Interim Report.

9 **Q. DID EMPIRE COMPLETE THE INTERIM REPORT PROCESS?**

10 A. Yes. Empire obtained the general agreement of Staff and Public Counsel on November
11 11, 2011 as to the scope and approach of the Interim Report. Empire subsequently filed
12 its Interim Report with the Commission on February 3, 2012. Attached hereto as
13 Schedule BKW-1 is the Interim Report.

14 **V. INTERIM REPORT**

15 **Q. HOW IS THE INTERIM REPORT STRUCTURED?**

16 A. The Interim Report describes a historical and future benefit-cost analysis for a range of
17 SPP RTO activities.

18 **Q. WHAT ARE THE SIGNIFICANT FINDINGS IN THE INTERIM REPORT?**

19 A. As a result of the implementation of SPP’s EIS market in February of 2007, Empire
20 estimates that its total company 2007 through 2010 net savings or trade benefits was
21 approximately \$21.6 million. The Report shows a projected net annual benefit for
22 continued participation in SPP of approximately \$12.2 million over the four year study
23 period of 2014 through 2017 for Empire and its customers.

1 **Q. HOW DID THE STUDY ARRIVE AT THESE FIGURES?**

2 A. The overall benefit-cost results were developed using a combination of existing benefit-
3 cost studies and evaluation by Empire to estimate and project the net benefits associated
4 with the various SPP RTO service and cost categories, especially the value of SPP's next
5 day market, referred to as the Integrated Marketplace. The benefits and costs of
6 functioning within the SPP RTO were compared to those associated with operation of
7 Empire on a stand-alone basis without membership in an RTO and without participation
8 in an organized wholesale energy market. The broad categories analyzed in the Report
9 are: (i) reliability services; (ii) power markets; (iii) transmission facility upgrades; (iv)
10 RTO exit fees; (v) administrative costs; and (vi) additional factors.

11 **Q. DOES THE INTERIM REPORT CAPTURE ALL OF THE BENEFITS OF SPP**
12 **PARTICIPATION?**

13 A. No. These numeric results do not capture the full range of potential benefits that are and
14 can be achieved through SPP membership because certain benefits are not readily
15 quantifiable.

16 **Q. DO YOU HAVE AN EXAMPLE OF SUCH A BENEFIT?**

17 A. Yes. One such benefit is the Regional Cost Allocation ("RCA") review that was
18 unanimously approved by the SPP Regional State Committee and Board of Directors on
19 January 30 and 31, 2012, respectively.

20 **Q. HOW DOES THE RCA BENEFIT EMPIRE?**

21 A. In approving the Highway/Byway cost allocation methodology for the SPP RTO, the
22 Federal Energy Regulatory Commission also approved a requirement that SPP conduct a
23 review of the "reasonableness" of the regional allocation methodology and regional/zonal

1 allocation factors at least once every three years. The review is required to determine the
2 transmission cost allocation impacts of base plan upgrades with notifications to construct
3 (“NTC”) issued after June 19, 2010 to each pricing zone with the SPP region, including
4 Empire’s. Hence, the purpose of this analysis is to measure the “cost allocation impacts”
5 of SPP’s Highway/Byway methodology. If the benefits to costs analyzed for Empire do
6 not show a 0.8 ratio (remedy threshold) over the study period, then SPP staff and
7 stakeholders, including Empire, SPP RSC Cost Allocation Working Group, and the SPP
8 Regional State Committee, will consider possible remedies for Empire to address an
9 imbalance of benefits to costs, as compared to all other SPP members. Therefore, if
10 Empire isn’t receiving sufficient benefits compared to the allocation of transmission
11 costs, then solutions will be considered that will directly impact Empire’s benefits and
12 costs associated with participation in the SPP RTO.

13 **Q. WHAT IS THE STATUS OF THE RCA REVIEW?**

14 A. SPP staff is currently working on the initial RCA review analysis and plans to provide a
15 report to the RCA review task force, of which Empire is a voting member, in late July,
16 2013. It is possible that any needed long term benefit/cost remedies for specific members
17 could be presented to the SPP Regional State Committee and SPP Board of Directors in
18 January 2014. However, since many of the regional transmission projects being allocated
19 today are not in service, the implementation of remedies for this 1st RCA review analysis
20 may be premature. It is more likely that benefit to cost imbalance remediation solutions
21 will be considered and approved in the 2016 or 2017 SPP Transmission Expansion
22 Planning process.

23 **Q. ARE THERE OTHER BENEFITS THAT ARE DIFFICULT TO QUANTIFY?**

1 A. Yes. There are several benefits, as explained in the Interim Report and RCA review
2 report, that SPP stakeholders and SPP staff continue to work on. One of the most
3 significant benefits in being an SPP member relates to the SPP stakeholder involvement
4 process. It is difficult to quantify, but the value is significant in that SPP members and
5 stakeholders, such as the staff of the Missouri Public Service Commission, have the
6 opportunity to participate in and influence SPP RTO policies and procedures through
7 active and engaged participation. SPP is unique in this regard. SPP further provides
8 Empire, one of the smaller transmission owning members and customers of SPP, the right
9 to express its opinions and positions to SPP staff, committees, and the Regional State
10 Committee on issues of direct interest that impact Empire's customers. This SPP
11 stakeholder member driven culture/process is also very important.

12 **Q. WHAT IS THE STATUS OF SPP NEXT DAY/INTEGRATED MARKETPLACE?**

13 A. As described in the Interim Report, the SPP next day market is scheduled to commence
14 on or about March 2014. Based on recent SPP updates to the Markets and Operations
15 Committee, Regional State Committee, and Board of Directors, the design and testing for
16 SPP and market participants, including Empire, is progressing and there has been no
17 indication, to date, that the planned implementation date will be delayed.

18 **Q. WHAT IS THE CONCLUSION OF THE INTERIM REPORT IN REGARD TO**
19 **EMPIRE'S CONTINUED PARTICPATION IN SPP?**

20 A. The Interim Report supports Empire continued participation in SPP beyond January 31,
21 2014. Therefore, the Commission should find: i) that Empire's continued participation
22 in the SPP RTO is not detrimental to the public interest; and ii) grant approval for Empire
23 to continue to fully participate in SPP

1 **VI. SERVICE AGREEMENT**

2 **Q. DID THE STIPULATION IN FILE NO. EO-2006-0141 REQUIRE EMPIRE TO**
3 **STATE A POSITION AS TO CONTINUATION OF ANY OF THE PROVISIONS**
4 **OF THAT STIPULATION?**

5 A. Yes. The Stipulation required Empire to state whether an agreement for the provision of
6 transmission service to Missouri bundled retail load (service agreement) between Empire
7 and SPP should be in effect on a going forward basis.

8 **Q. WHAT POSITON DOES EMPIRE TAKE IN REGARD TO THE POSSIBLE**
9 **CONTINUATION OF THE SERVICE AGREEMENT?**

10 A. At this time, Empire believes that the Service Agreement in effect during the Interim
11 Period has served its initial purpose and is no longer necessary. However, Empire is not
12 opposed to maintaining the FERC-accepted Transmission Service Agreement as part of
13 its continued membership in the SPP RTO.

14 **Q. WHY DO YOU BELIEVE THE SERVICE AGREEMENT IS NO LONGER**
15 **NECESSARY?**

16 A. Going forward, the Commission will have oversight, as does Empire's other three
17 jurisdictional state commissions in Kansas, Arkansas and Oklahoma -- with regard to
18 Empire's RTO participation, the ability to determine/modify transmission cost allocation
19 and financial/physical transmission rights through its participation in the SPP RTO
20 Regional State Committee and the ability to participate in other SPP stakeholder
21 processes. In the alternative, the Commission can unilaterally initiate dockets to address
22 SPP-related issues and concerns that may arise.

23

1 **VII. OTHER EMPIRE JURISDICTIONAL CONSIDERATIONS**

2 **Q. ARE THERE ANY OTHER RECENT EMPIRE STATE JURISDICTIONAL**
3 **APPROVALS AND CONDITIONS OF WHICH THE COMMISSION SHOULD**
4 **BE AWARE?**

5 A. Yes. On December 10, 2012, the Arkansas Public Service Commission approved,
6 without condition, Empire's joint petition (with Oklahoma Gas and Electric and
7 American Electric Power Company-SWEPCO) for approval to continue to participate in
8 the SPP RTO and actively participate in the planned next day market, referred to as
9 Integrated Marketplace. APSC Docket Number 04-137-U, Order Number 10.

10 **Q. IN SUMMARY, WHAT ARE YOUR RECOMMENDATIONS/REQUESTS OF**
11 **THE COMMISSION?**

12 A. Empire requests that based on: i) the findings of the Interim Report; ii) Empire's
13 longstanding participation and membership in SPP; iii) the Commission's authority and
14 active participation in the SPP RTO via the Regional State Committee; and iv) the
15 Commission's ability to open a docket regarding Empire's continued participation in
16 SPP, that Commission: i) find that Empire's continued participation in the SPP RTO is
17 not detrimental to the public interest; ii) grant approval for Empire to continue to fully
18 participate in SPP;

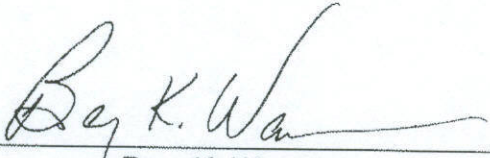
19 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

20 A. Yes.

AFFIDAVIT OF BARY K. WARREN

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 9th day of July, 2013, before me appeared Bary K Warren, to me personally known, who, being by me first duly sworn, states that he is Director of Transmission Policy and Compliance of The Empire District Electric Company and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



Bary K. Warren

Subscribed and sworn to before me this 9th day of July, 2013.

ANGELA M. CLOVEN
Notary Public - Notary Seal
State of Missouri
Commissioned for Jasper County
My Commission Expires: November 01, 2015
Commission Number: 11262659



Notary Public

My commission expires