

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

In the Matter of a Determination of Special)	
Contemporary Resource Planning Issues to be)	
Addressed by The Empire District Electric)	File No. EO-2013-0105
Company in its Next Triennial Compliance Filing)	
or Next Annual Update Report)	

**STAFF’S CLARIFICATION OF ISSUES “a” AND “m”
FOR THE EMPIRE DISTRICT ELECTRIC COMPANY**

Comes Now the Staff of the Missouri Public Service Commission (“Staff”), by and through the Staff Counsel’s Office, in response to the October 24, 2012 Order Directing Filing of the Missouri Public Service Commission (“Commission”) respecting Staff’s special contemporary resource planning issue “a” and Staff’s special contemporary resource planning issue “m.” Staff sought in its September 17, 2012 filing that the Commission direct The Empire District Electric Company (“Empire” or “Company”) to analyze and document in Empire’s April 1, 2013 triennial electric utility resource planning compliance filing Staff’s special contemporary resource planning issues “a” and “m,” pursuant to 4 CSR 240-22.080(1)(B) and (4)(C), among other special contemporary resource planning issues proposed by Staff.

The Staff clarifies its special contemporary resource planning issues “a” and “m” for Empire as follows:

Staff Issue “a”: Investigate and document the impacts on the Company’s preferred resource plan and contingency plans of aggressive regulations by the FERC, regional transmission organizations (“RTOs”) or Missouri statutes or regulations to allow aggregators of retail customers (“ARCs”) to operate and market demand response services in Missouri.

Staff Statement of Clarification Concerning Issue “a”: To satisfy this special contemporary issue, Empire could, for example, provide a discussion that includes the identification of how currently Empire participates within the Southwest Power Pool (“SPP market”) (market participation in the Energy Imbalance (“EI”) market, etc.) and how this level of participation may change due to:

1. SPP compliance with FERC Order No. 745 that requires demand response resources be compensated at the full Locational Marginal Price (“LMP”);
2. The presence of an ARC or Curtailment Service Provider (CSP) which registers as a SPP market participant to sell Ancillary Services of aggregated Empire retail customers up to 5% of the market potential; and
3. Changes within SPP that include the implementation of a Day Ahead Energy Market and/or other SPP market products that Empire anticipates participating in.

Staff Issue “m”: Disclose and discuss the amount and impact of every state or federal subsidy the Company expects to receive with regard to any or all fuel sources it intends to use during the IRP study period.

Staff Statement of Clarification Concerning Issue “m”: To satisfy this special contemporary issue Empire could, for example: 1) disclose – to its knowledge - whether or not it receives and/or expects to receive – directly or indirectly - any subsidies for fuels used in its generating plants, and 2) if Empire does identify subsidies it receives and/or expects to receive for fuels used in its generating plants, specify the impact upon its costs of fuels during the IRP 20-year planning horizon for these subsidies. Staff provides the following links as examples of what fuel subsidies may impact Empire’s current cost of fuels and to illustrate the dynamic nature of fuel subsidies. Also, fuel subsidies may be significantly impacted in the future due to the need to reduce the federal budget deficient.

<http://www.heritage.org/research/reports/2011/09/natural-gas-policy-access-not-over-regulation-and-subsidies>

http://www.sourcewatch.org/index.php?title=Federal_coal_subsidies

<http://www.guardian.co.uk/environment/blog/2012/oct/17/us-wind-power-mitt-romney-subsidy>

http://www.nytimes.com/2012/01/07/opinion/one-bad-energy-subsidy-expires.html?_r=0

Wherefore Staff responds to the Commission’s October 24, 2012 Order Directing Filing and provides clarification respecting Staff’s special contemporary resource planning issue “a” and Staff’s special contemporary resource planning issue “m” for The Empire District Electric Company to analyze and document in its April 1, 2013 triennial electric utility resource planning compliance filing.

Respectfully submitted,

/s/ Steven Dottheim

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing *Staff's Clarification Of Issues "a" And "m" For The Empire District Electric Company* have been transmitted electronically to all counsel of record this 30th day of October, 2012.

/s/ Steven Dottheim