

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2015-0260, The Empire District Electric Renewable Energy Standard
Compliance Report for Calendar Year 2014

FROM: Claire M. Eubanks, P.E., Engineering Analysis

/s/ Natelle Dietrich / 5/29/15
Tariff, Safety, Economic
and Engineering Analysis / Date

/s/ Nicole Mers / 5/29/15
Staff Counsel's Office / Date

SUBJECT: Staff Report and Conclusion on The Empire District Electric's 2014 Renewable Energy
Standard Compliance Report

DATE: May 29, 2015

CONCLUSION

Staff has reviewed The Empire District Electric Company ("Empire" or "Company") 2014 RES Compliance Report. Based on its review, Staff has not identified any deficiencies.

OVERVIEW

On April 14, 2015, Empire filed its Compliance Report for calendar year 2014 (Case No. EO-2015-0260), 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." 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. Staff completed its review and utilized the North American Renewables Registry (NAR) to independently verify the retirement of the RECs and S-RECs by the Company.

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DISCUSSION

Staff reviewed the Company's Compliance Report in accordance with the established rules to verify it contains the information required. 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 2014 expressed as total megawatt-hours (MWh) sold to Missouri customers (4,148,677 MWh), which is generally consistent with the Missouri jurisdictional 2014 FERC Form 1 filed with the Commission on May 12, 2015, which listed the total megawatt hours sold as 4,148,676 MWh.

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 2014, expressed as annual operating revenues (dollars) from Missouri consumers, at \$456,323,868, which is consistent with the Missouri jurisdictional 2014 FERC Form 1 filed with the Commission on May 12, 2015.

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 utilized three renewable energy generating facilities as defined by 393.1025(5), RSMo during 2014: the Company-owned Ozark Beach Hydroelectric Project ("Ozark Beach") and two purchased power agreements ("PPA") with Elk River and Meridian Way. The total amount of energy generated at Ozark Beach was 60,721 MW¹. Ozark Beach is located in Missouri, thus it qualifies for the one and twenty-five hundredths (1.25)

¹ Page 5 of the 2014 Compliance Report has an error regarding the number of RECs generated at Ozark Beach. See response to Staff Data Request 2.

credit multiplier allowed by statute and regulation.² With the credit multiplier, the total compliance REC credit for the facility is 75,901.25.

The Company provided the total retail electric sales³ supplied by Elk River (approximately 476,552 MWh) and Meridian Way (approximately 298,119MWh) in Attachment 5 of the Compliance Report.

- 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-owned Ozark Beach facility generated 60,721 MWh⁴ in 2014. The Company does not assign a cost or value for the RECs produced. The RECs created by this facility are a benefit to Missouri ratepayers, in comparison to new renewable resource additions, since capital and operational costs for Ozark Beach are already part of the rate structure of the Company’s annual revenue requirement.

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

Based on Attachment 5 to the 2014 Annual RES Compliance Report, the Company acquired 567,075 RECs (2014 Vintage) through a PPA with Elk River. The Company also acquires RECs from Meridian Way Windfarm; these are not currently tracked in NAR.

In Section (7)(A)1.G. of the Compliance Report, the Company discusses the sale of 2013 RECs from Elk River and provides the quantity of RECs sold ** _____ ** in Attachment 4.

² 393.1030.1., RSMo; 4 CSR 240-20.100(3)(G)

³ Assumes a 84.037% allocation to Missouri customers

⁴ See response to Staff Data Request 2

The Company retired 165,947 RECs (2011-2014 Vintage) from Ozark Beach for calendar year 2014 compliance. Staff verified this amount, which qualify for the in-state multiplier to total 207,433.75 RECS, and therefore meets the rule requirement to meet 5 percent of retail sales, or 207,433 RECs.⁵ These RECs were registered and retired in the electronic tracking system⁶ utilized for compliance purposes. In accordance with statute and regulation, a qualified facility produced these RECS and they were banked and utilized appropriately.⁷

As Empire explained in Attachment 7 of the Compliance Report, it was previously believed to be exempt from offering solar rebates to its customers and exempt from the solar RES requirements. The exemption was challenged and on February 10, 2015, the Missouri Supreme Court issued an opinion that Empire was not exempt from these requirements. This resulted in Empire filing proposed solar rebate tariff sheets to offer solar rebates to its customers on May 5, 2015, that became effective May 16, 2015.⁸ Because the opinion was not issued until 2015, Empire did not retire solar RECs for compliance year 2014. Commission rule 4 CSR 240-20.100(3)(J), allows a utility to retire RECs in January, February, and March following the calendar year for which compliance is being achieved, and receive credit in the compliance year. Theoretically, Empire could have retired RECs in 2015 for 2014 compliance, but this was probably not practical with the timing of the opinion.

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

See comments in Section E. of this report.

⁵ Pursuant to 4 CSR 240-20.100(2)(C)1., the amount of RECs necessary is determined by calculating five percent (5%) of the Company’s total retail sales. Five percent (5%) of the company’s total retail sales as reported on the Missouri jurisdictional FERC form 1 is 207,433.8 RECs.

⁶ North American Renewables Registry: <http://missourirecs.com/>

⁷ Qualified facility per 393.1025.(5), RSMo and 4 CSR 240-20.100(1)(K); Banked RECs per 393.1030.2., RSMo and 4 CSR 240-20.100(1)(J).

⁸ See Case No. ET-2015-0285.

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, by source and serial number, being carried forward for future year(s), as Attachment 1 of the Compliance Report. The list includes RECs from Ozark Beach and Elk River (2010-2014 vintage). Please note some RECs identified as being carried forward have expired for Missouri compliance and are classified as such in Attachment 1.⁹

As noted in Section E, the Company does not currently track RECs for Meridian Way Windfarm in the commission-approved tracking system. The Company explained in response to Staff Data Request 3 that it expects that Meridian Way RECs may be needed in 2019. Because RECs generated in 2015 would not be eligible for compliance in 2019 Staff is comfortable with Meridian Way RECs not being tracked at this time.

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 utility;”

The Company sold a portion of the 2013 Vintage RECs produced by Elk River ** _____

_____ ** REC revenues factor into Empire’s Fuel Adjustment Clause in effect during the 2014 calendar year under P.S.C. Mo. No. 5, Sec. 4, 1st Revised Sheet No. 17i.

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:

⁹ Attachment 1 includes columns indicating which states the RECs are eligible in.

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

The Company provided the name, address, and owner for Elk River and Meridian Way on page 7 of the Annual RES Compliance Report.

“(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;”

The affidavits for Elk River and Meridian Way were provided as Attachments to the 2014 Annual RES Compliance Report.

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

The type of technology was provided on page 7 of the Annual RES Compliance Report.

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

Empire provided the dates and amounts of the payments to Elk River and Meridian Way as Attachments to the 2014 Annual RES Compliance Report.

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

The meter readings used to calculate the payments to Elk River and Meridian Way were provided as Attachments to the 2014 Annual RES Compliance Report.

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

Empire filed solar rebate tariff sheets on May 5, 2015 which went into effect on May 16, 2015. Solar rebates were not offered to customers in 2014 as discussed in Attachment 7 of the 2014 Annual RES Compliance Report.

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

See discussion in Sections E and J.

- 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;”**

See discussion in Sections E and J.

- 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 included the affidavit as Attachment 8 of the Compliance Report and included \$53,961 in NAR Administration costs and \$57,258 in Legal Fees. Since Empire’s revenue requirement includes a representative amount of RES costs, no adjustment of costs is required for the next compliance plan.

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

The Company retired the appropriate number of RECS to comply with the RES requirements¹⁰ for calendar year 2014.

¹⁰ Pursuant to 4 CSR 240-20.100(2)(C)1., the amount of RECs necessary is determined by calculating five percent (5%) of the Company’s total retail sales.

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

In the Matter of The Empire District)
Electric Company's Submission of its) File No. EO-2015-0260
2015 (RES) Compliance Plan)

AFFIDAVIT OF CLAIRE M. EUBANKS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW Claire M. Eubanks and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Report in memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



Claire M. Eubanks

Subscribed and sworn to before me this 29th day of May, 2015.

SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 28, 2018 Commission Number: 14942086
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Notary Public