

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Repository File Concerning The)
Empire District Electric Company's Submission of)
its 2011 RES Compliance Plan) **File No. EO-2011-0276**

STAFF REPORT AND RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, and respectfully submits this *Staff Report and Recommendation* to the Commission stating the following:

1. On April 14, 2011, The Empire District Electric Company (EDE or Company) filed its Renewable Energy Standard (RES) Compliance Plan for calendar years 2011 through 2013.

2. Commission rule 4 CSR 240-20.100(7) states:

Annual RES Compliance Report and RES Compliance Plan. 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)....

3. 4 CSR 240-20.100(A) and (B) specify what information the RES Compliance Report shall provide and what information the RES Compliance Plan shall provide, respectfully.

4. 4 CSR 240-20.100(D) provides that:

The staff of the commission shall examine each electric utility's annual RES compliance report and RES compliance plan and file a report of its review with the commission within forty-five (45) days of the filing of the annual RES compliance report and RES compliance plan with the commission. The staff's report shall identify any deficiencies in the electric utility's compliance with the RES.

5. In its *Memorandum*, attached hereto and labeled as Attachment A, the Staff reports on its review of the Company's Annual RES Compliance Report and RES Compliance Plan.

6. At this time, the Staff has identified no deficiencies within the Company's filing. While the Company did include a RES retail impact limit calculation as required by 4 CSR 240-20.100(7)(B)1.F., it was not at the level of detail contemplated by the rule. The Staff does not view this as a deficiency. As the Company's costs for these compliance periods are significantly below the one percent (1%) retail rate impact limit, performing the detailed netting calculation serves no purpose in this instance.

7. 4 CSR 240-20.100(10) allows the Commission to waive or grant a variance from a provision of this rule for good cause shown. Although EDE did not file for a waiver from the netting calculation requirement, the Staff asserts that the calculation would serve no purpose in this instance. As such, the Staff asserts this instance meets the good cause requirement and recommends that the Commission grant the Company a waiver from 4 CSR 240-20.100(7)(B)1.F., if the Commission deems it necessary to do so.

8. EDE submitted its calendar year 2010 annual report on May 17, 2011. EDE currently owes two cents (\$.02) on the Company's fiscal year 2011 assessment.

9. The Staff is unaware of any other case currently pending before the Commission that a decision in this file will directly affect.

WHEREFORE, the Staff submits this *Staff Report and Recommendation* for the Commission's information and consideration, and recommends the Commission grant The Empire District Electric Company a waiver from 4 CSR 240-20.100(7)(B)1.F., if the Commission deems it necessary to do so.

Respectfully submitted,

/s/ Jennifer Hernandez

Jennifer Hernandez

Associate Staff Counsel

Missouri Bar No. 59814

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Missouri Public Service Commission

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by United States Postal Mail, first class postage prepaid to The Empire District Electric Company, c/o Legal Department, P.O. Box 127, 602 S. Joplin Avenue, Joplin, MO 64802; and via electronic mail to Lewis Mills, attorney for the Office of the Public Counsel at opcservice@ded.mo.gov this 31st day of May 2011.

/s/ Jennifer Hernandez

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2011-0276, Empire District Electric Company Renewable Energy Standard
Compliance Plan for Calendar Years 2011, 2012, and 2013

FROM: Michael E. Taylor, Energy Department – Engineering Analysis

/s/ Lena M. Mantle 5/31/11 /s/ Jennifer Hernandez 5/31/11
Energy Department / Date Staff Counsel's Office / Date

SUBJECT: Staff Report and Recommendation on Empire District Electric Company's 2011
Renewable Energy Standard Compliance Plan

DATE: May 31, 2011

CONCLUSION

The Staff has reviewed the The Empire District Electric Company (EDE or Company) 2011 Renewable Energy Standard (RES) Compliance Plan. Based on its review, Staff has not identified any deficiencies. As noted in paragraph F. of the Discussion portion of this report, Staff considers that compliance with the requirements of 4 CSR 240-20.100(7)(B)1.F. would be a meaningless exercise for this filing and, therefore, only to the extent the Commission deems it necessary to do so, Staff recommends the Commission grant Empire a waiver from the subparagraph.

OVERVIEW

On April 14, 2011, EDE filed its RES Compliance Plan for calendar years 2011 through 2013 (Case No. EO-2011-0276). The Plan 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 annual RES compliance plan with the commission. The plan shall be filed no later than April 15 of each year." Subparagraphs 4 CSR 240-20.100(7)(B)1.A. through G. provide the minimum requirements for the plan. Subsection 4 CSR 240-20.100(7)(D) requires that Staff examine the plan and file a report within forty-five (45) days of the filing.

This is the first compliance plan filing for the Missouri electric utilities required by the Missouri Renewable Energy Standard, Sections 393.1020 through 393.1030, RSMo.

DISCUSSION

Staff has reviewed the EDE Compliance Plan in accordance with the established requirements to verify the plan contains the information required by rule. The results of this review are detailed below, with appropriate rule subparagraphs A. through G. identified and quoted.

A. “A specific description of the electric utility’s planned action to comply with the RES;”

EDE explained in detail its completed and planned actions for compliance with the RES for 2011, 2012, and 2013. For non-solar compliance, the Company will utilize renewable energy certificates (RECs) from Ozark Beach Hydroelectric facility located in Taney County, Missouri and/or purchased power agreements (PPAs) from two wind farms, Elk River located in Butler County, Kansas and Meridian Way located in Cloud County, Kansas. EDE is exempt from the solar requirements of the RES (393.1050, RSMo). The Company-owned hydro-electric generation will qualify for the Missouri in-state one and twenty-five hundredths (1.25) credit.

B. “A list of executed contracts to purchase RECs (whether or not bundled with energy), including type of renewable energy resource, expected amount of energy to be delivered, and contract duration and terms;”

The Company has 20-year PPAs for energy and RECs from the Elk River Wind Farm and Meridian Way Wind Farm, effective December 10, 2004 and June 19, 2007, respectively.

C. “The projected total retail electric sales for each year;”

EDE has provided values for projected retail electric sales. Compared to the most recent preferred resource plan, the values appear to be reasonable estimates.

- D. “Any differences, as a result of RES compliance, from the utility’s preferred resource plan as described in the most recent electric utility resource plan filed with the commission in accordance with 4 CSR 240-22, Electric Utility Resource Planning;”**

EDE filed its most recent preferred resource plan in September 2010. The RES compliance plan is consistent with the information regarding renewable resources in its most recent preferred resource plan.

- E. “A detailed analysis providing information necessary to verify that the RES compliance plan is the least cost, prudent methodology to achieve compliance with the RES;”**

EDE provided information regarding its utilization of existing resources to comply with the non-solar portion of the RES for 2011 through 2013. The costs associated with these resources are already included in revenue requirements.

- F. “A detailed explanation of the calculation of the RES retail rate impact limit calculated in accordance with section (5) of this rule. This explanation should include the pertinent information for the planning interval which is included in the RES compliance plan:”**

This subparagraph of the rule provides for a detailed calculation of the retail rate impact to ensure that the statutory requirement of limiting the RES impact to one percent (1%) is met. The rule requires a calculation to net the least-cost of renewable generation for RES compliance with the cost to provide an equivalent amount of generation from nonrenewable resources. This netting would effectively reduce the cost attributed to RES compliance for purposes of meeting the limit. Since Empire’s costs for these compliance periods are significantly below the one percent (1%) retail rate impact limit, performing the detailed netting calculation literally serves no purpose.

Staff considers the level of detail for the rate impact calculation to be subjective. For Empire to expend significant resources to provide a more detailed calculation would serve no purpose, since the requirements for this plan period are met utilizing existing resources.

EDE did not file for a waiver from having to comply with this rule subparagraph. Because the calculation would serve no purpose in this instance, Staff would not seek for the Commission to enforce literal compliance with this rule provision, whether relief from it was requested or not. Staff recommends that the Commission grant a waiver, if the Commission deems so doing is necessary.

Because the costs associated with its wind PPAs and its Ozark Beach hydroelectric facility are already included in its rates, EDE states in its filing that the Company does not anticipate a retail rate impact for the compliance plan period. The anticipated costs (less than \$20,000 per year) are associated with the registration and retirement of RECs in the North American Renewables Registry.

- G. “Verification that the utility has met the requirements for not causing undue adverse air, water, or land use impacts pursuant to subsection 393.1030.4. RSMo, and the regulations of the Department of Natural Resources.”**

EDE has stated that these requirements have been met to the best of its knowledge.

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In the Matter of a Repository File)	
Concerning The Empire District Electric)	
Company's Submission of its 2011 RES)	Case No. EO-2011-0276
Compliance Plan)	

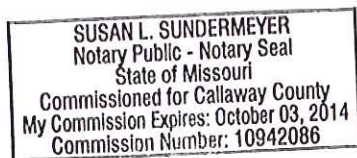
AFFIDAVIT OF MICHAEL E. TAYLOR

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 31st day of May, 2011.




Notary Public