

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 17th day of
July, 2012.

In the Matter of The Empire District Electric Company's)
2012 Update Summary Report being Filed Pursuant) **File No. EO-2012-0294**
to rule 4 CSR 240-22.080)

**ORDER REGARDING 2012 INTEGRATED RESOURCE PLANNING
ANNUAL UPDATE SUMMARY**

Issue Date: July 17, 2012

Effective Date: July 17, 2012

Background

On March 20, 2012, The Empire District Electric Company (“Empire”) filed its 2012 Integrated Resource Plan (“IRP”) Annual Update.¹ A number of stakeholder meetings were held, and ultimately, the Commission’s Staff filed a report alleging two deficiencies.² Comments were filed by the Missouri Department of Natural Resources (“MDNR”) and Dogwood Energy, L.L.C. (“Dogwood”).

Staff alleges that Empire:

- 1.) Failed “to robustly explore the cost effectiveness of performing its load analysis and load forecast at the class cost-of-service level, as required by prior agreements, with a goal of achieving compliance with 4 CSR 240-22.020(37) and 4 CSR 240-22.030(7)(A), from which Empire has repeatedly sought waivers;” and

¹ The annual update was filed pursuant to Commission Rule 4 CSR 240-20.080(3)

² Staff’s original report identified four alleged deficiencies; however, after conferring with Empire, Staff filed a revised report alleging only two deficiencies.

- 2.) Failed “to utilize a 20 year planning horizon for its capacity planning, consistent with 4 CSR 240-22.020(43), 4 CSR 240-22.020(51), 4 CSR 240-22.020(52), 4 CSR 240-22.080(2)(D) and 4 CSR 240-22.080(3)(B).”

MDNR concurs with Staff’s position and also expressed a concern that Empire should have more fully considered two bills on file in the Missouri General Assembly (HB 14878 and SB 759) and analyzed any federal proposals being considered by the U.S. Congress that differ from those in Empire’s most recent triennial IRP compliance filing. Dogwood asserts that Empire “should obtain more comprehensive information on its supply alternatives, fully examine purchase power and other supply alternatives, and improve its assessment of integration of intermittent supply sources such as wind and its overall risk valuation process.”³

Empire’s Response

With regard to Staff’s alleged deficiencies, Empire claims that it *did* perform the load forecast at the class cost of service level that Staff desires in its 2007 IRP, but found that the added granularity of rate class level forecasting increased the difficulty due to customers switching rate classes and provided no advantage with respect to forecasting accuracy. Empire explains that it preferred to keep the forecast method consistent with the internal budgeting approach, and it believes that no variance is required to utilize this approach in its 2013 IRP due to the flexibility of the revised rules and the communications within its IRP Stakeholder Advisory Group. Empire also contends that to adequately expand the planning horizon for the IRP annual update to 20 years, as Staff suggests, would essentially convert the annual update into a triennial compliance filing and that the

³ Empire states that Dogwood is specifically interested in Empire’s response to a proposal Dogwood sent to Empire on April 18, 2012, describing an option to purchase an ownership share in the Dogwood Energy Facility.

annual update should be an update based on the Company's normal ongoing business planning process.

In regard to MDNR's additional concern, Empire replies that did provide a detailed analysis of the potential impact of an initiative petition to amend Chapter 393 RSMo which was currently being circulated in Missouri. Further, Empire noted at a Stakeholder Update Session that the particular legislative proposals mentioned by MDNR were actively being modified, so it focused its time and resources and provided a detailed analysis of the potential impact on the initiative petition to amend Chapter 393.

As for Dogwood's comments, Empire contends that those comments concern its upcoming triennial compliance filing to be made in 2013 and that they do not appear to be pertinent to Empire's 2012 Update Summary Report and the Stakeholder Update Session.

Analysis and Decision

The Commission's rules outline the procedure for the IRP annual update process. There are no requirements for a hearing on these filings and, in fact, no Commission action is required in relation to these proceedings. Consequently, this is a non-contested case, and the Commission may dispose of this matter informally at its discretion.

Staff, MDNR and Dogwood essentially request that the Commission direct Empire to make a commitment to address the alleged deficiencies and concerns in its next triennial IPR compliance filings. These requests are appropriate given the continuous nature of the IRP filings, and the varying conditions surrounding some of the concerns. Allowing Empire to address these concerns in its next IRP filing, as opposed to having them file an updated annual report, will also prevent diversion of Empire's resources away from preparing a more comprehensive triennial filing that is due in less than a year.

THE COMMISSION ORDERS THAT:

1. The Empire District Electric Company shall comprehensively address the alleged deficiencies and concerns identified by the participants to this file in its next triennial Integrated Resource Plan.
2. This order shall become effective on July 17, 2012.
3. This file shall be closed on July 18, 2012.

BY THE COMMISSION



Steven C. Reed
Secretary

(S E A L)

Gunn, Chm., Jarrett, Kenney, and
Stoll, CC., concur.

Stearley, Deputy Chief Regulatory Law Judge