

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

In the Matter of The Empire District Electric)
Company's Submission of Its 2013)
Renewable Energy Standard Compliance)
Report)

File No. EO-2014-0285

In the Matter of The Empire District Electric)
Company's Submission of Its 2014)
Renewable Energy Standard Compliance)
Plan)

**STAFF REPORT ON EMPIRE DISTRICT ELECTRIC COMPANY'S RENEWABLE
ENERGY STANDARD COMPLIANCE REPORT AND PLAN**

COMES NOW Staff of the Missouri Public Service Commission, by and through the undersigned counsel, and submits this Report to the Missouri Public Service Commission. In support of the Report, Staff respectfully states the following:

1. On April 14, 2014,¹ The Empire District Electric Company ("Empire") filed its *2013 Renewable Energy Standard Compliance Report* ("Compliance Report") and *2014 Renewable Energy Standard ("RES") Compliance Plan* ("Compliance Plan") in the above captioned case.

2. Commission rule subparagraphs 4 CSR 240-20.100(7)(A)1.A. through N. specify what information the compliance report shall provide, while subparagraphs 4 CSR 240-20.100(7)(B)1.A. through G. specify what information the compliance plan shall provide.

3. Rule 4 CSR 240-20.100(7)(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

¹ All dates herein refer to calendar year 2014, unless otherwise specified.

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.

4. On April 16, in its *Order Directing Notice and Setting Filing Deadline*, the Commission directed Staff to file its report by May 30, 2014.

5. On May 28, Staff was granted, by Commission Order, an extension of time to file a report of its review of Empire's Compliance Report and Plan until June 30.

6. In its *Memoranda* attached hereto, Staff reports on its review of Empire's Compliance Report and Compliance Plan. Based on its review, Staff has not identified any deficiencies in the Compliance Report based on the requirements under 4 CSR 240-20.100(7)(A)1.A. through N. Similarly, Staff has not identified any deficiencies in the Compliance Plan based on the requirements under 4 CSR 240-20.100(7)(B)1.A. through G.

7. Empire is current on the filing of its annual reports and its quarterly payment of the fiscal year 2014 assessment.

8. The Staff is not aware of any other matter before the Commission that affects, or is affected by, this filing.

WHEREFORE, Staff submits this Report on Empire's 2013 Renewable Energy Standard Compliance Report and 2014 Renewable Energy Standard Compliance Plan, for the Commission's information and consideration.

Respectfully submitted,

/s/ Akayla J. Jones

Akayla J. Jones

Legal Counsel

Missouri Bar No. 64941

Attorney for the Staff of the

Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 526-6036 (Telephone)

(573) 751-9285 (Fax)

akayla.jones@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail to all parties of record as listed in the Commission's Electronic Filing and Information System this 30th day of June 2014.

/s/ Akayla J. Jones

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2014-0285, Empire District Electric Renewable Energy Standard
Compliance Report for Calendar Year 2013

FROM: Daniel I. Beck, P.E., Engineering Analysis

/s/ Daniel I. Beck / 6/30/2014 /s/ Jennifer Hernandez / 6/30/2014
Engineering Analysis / Date Staff Counsel's Office / Date

SUBJECT: Staff Report and Conclusion on Empire District Electric's 2013 Renewable Energy
Standard Compliance Report

DATE: June 30, 2014

CONCLUSION

The Staff has reviewed The Empire District Electric Company's ("Empire" or "Company") filed *2013 RES Compliance Report* (Compliance Report) dated April 14, 2014. Based on its review, Staff has not identified any deficiencies in the report and has concluded that the Company has supplied all the reporting information outlined in 4 CSR 240-20.100 (7)(A)1.A. through N. The Company has retired the appropriate number of RECs to meet the RES requirement for 2013.

OVERVIEW

On April 14, 2014, the Company filed its Compliance Report for calendar year 2013 (Case No. EO-2014-0285). The Compliance Report 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 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. Subsequently, Staff asked

for and was granted an extension of time to file its report in this case until June 30, 2014. Staff has utilized the North American Renewables Registry (NAR) to independently verify the retirement of the RECs and S-RECs by the Company.

DISCUSSION

Staff has reviewed the Company's Compliance Report in accordance with the established requirements to verify the Compliance Report contains the information required by rule. 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 2013 expressed as total megawatt-hours (MWh) sold to ultimate consumers (4,085,362 MWh), consistent with the 2013 FERC Form 1 filed with the commission on May 14, 2014.

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 2013 expressed as annual operating revenues (dollars) from ultimate consumers (\$435,818,682), consistent with the 2013 FERC Form 1 filed with the commission on May 14, 2014.

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 two renewable energy generating facilities as defined by 393.1025(5), RSMo during 2013; the Company-owned Ozark Beach Hydroelectric Project ("Ozark Beach") and a purchase power agreement (PPA) with Elk River Wind Farm ("Elk River"). Meridian Way Wind Farm is also a renewable energy resource but is not currently certified by Missouri Division of Energy. The total amount of energy generated at Ozark Beach was 57,516 MWhs. Ozark Beach is located in Missouri, thus it qualifies for the one

and twenty-five hundredths (1.25) credit multiplier allowed by statute and regulation.¹ With the credit multiplier, the total compliance REC credit for the facility is 71,895. The total amount of energy generated at Elk River was 547,575 MWhs.

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 reported that the Company-owned Ozark Beach facility generated 57,516 MWh in 2013. The Company does not assign a cost or value for the RECs produced, due to the restrictive nature of using hydroelectric RECs and the RECs created by this facility are a benefit to Missouri ratepayers since capital and operational costs for Ozark Beach are already part of the rate structure. The majority of Elk River RECs generated in 2013 were also sold in 2013 with other Elk River RECs being used for Kansas RES Compliance or banked. The sale prices were provided by Empire in Attachment 4 of the Compliance Report and are considered highly confidential.

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

Based on data from NAR, the Company acquired 547,575 RECs (2013 Vintage) through a PPA with Elk River. Attachment 4 of the Compliance Report provides the sale, retirement and banking of 2013 RECs from Elk River.

The Company retired RECs from Ozark Beach for calendar year 2013 compliance. Staff verified that the Company retired 65,370 Ozark Beach RECs (2010 and 2011 Vintage) which qualify for the in-state multiplier to total 81,712.5 RECS; which meets the requirement of

¹ 393.1030.1., RSMo; 4 CSR 240-20.100(3)(G).

80,707.24.² These RECs were registered and retired in NAR for compliance purposes.³ In accordance with statute and regulation, these RECs were produced by a qualified facility and were banked and utilized appropriately.⁴

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

See comments in Section E. of this report.

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, which are being carried forward for future year(s), as Attachment 1 of the Compliance Report. The list includes RECs from Ozark Beach and Elk River (2011-2013 vintage).

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 and provided the gains or losses from the sale as a part of the Compliance Report. REC revenues factor into Empire’s Fuel Adjustment Clause that was in effect during calendar year 2013.

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:

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

The Company provided the name, address, and owner for Elk River and Meridian Way.

See Attachments 4 and 5 of the Compliance Report.

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

³ North American Renewables Registry: <http://missourirecs.com/>

⁴ 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).

(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 affidavit for Elk River and Meridian Way were provided by the Company. See Attachments 4 and 5 of the Compliance Report.

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

The type of technology was provided. See Attachments 4 and 5 of the Compliance Report.

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

The dates and amounts of the payments to Elk River and Meridian Way were provided by the Company. See Attachments 4 and 5 of the Compliance Report.

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

The meter readings for Elk River and Meridian Way were provided by Empire. See Attachments 4 and 5 of the Compliance Report.

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

The Company is exempt from the solar requirements of the RES. The Company provided a copy of a Memorandum (dated January 7, 2009) explaining this exemption as Attachment 2 of the Compliance Report.

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

Not applicable. See explanation for J. above.

- 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;”**

Not applicable. See explanation for J. above.

- 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 3 of the Compliance Report and included \$63,840 NAR Administration costs. The Company also reported legal costs associated with the RES.

- 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 requirements for calendar year 2013.

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

In the Matter of The Empire District)
Electric Company's Submission of its)
2014 Renewable Energy Standard (RES))
Compliance Plan) Case No. EO-2014-0285

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Daniel I. Beck, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Daniel I. Beck

Subscribed and sworn to before me this 30th day of June, 2014.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086



Notary Public

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2014-00285, Empire District Electric Renewable Energy Standard
Compliance Plan for Calendar Years 2014, 2015, and 2016

FROM: Daniel I. Beck, P.E., Engineering Analysis

/s/ Daniel I. Beck / 6/30/14 /s/ Jennifer Hernandez / 6/30/14
Engineering Analysis / Date Staff Counsel's Office / Date

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

DATE: May 30, 2014

CONCLUSION

The Staff has reviewed The Empire District Electric Company's ("Empire" or "Company") filed *2014 RES Compliance Plan* dated April 14, 2014. Based on its review, Staff has not identified any deficiencies in the Plan and concludes that Empire has met the minimum requirements for the plan under 4 CSR 240-20.100(7)

OVERVIEW

On April 14, 2014, the Company filed its Renewable Energy Standard ("RES") Compliance Plan ("Plan") for calendar years 2014 through 2016 (Case No. EO-2014-0285). 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. Staff requested and was granted a 30 day extension in this case to June 30, 2014. This is the fourth 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 Company's 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 actions to comply with the RES;"

The Company explained in detail its planned actions for compliance with the RES for 2014, 2015, and 2016. For non-solar compliance, the Company will utilize renewable energy certificates ("RECs") from purchased power agreements ("PPAs") from two wind farms, Elk River located in Butler County, Kansas ("Elk River"), and Meridian Way located in Cloud County, Kansas ("Meridian Way") and/or Ozark Beach Hydroelectric facility located in Taney County, Missouri ("Ozark Beach"). The Company is exempt from the solar requirements of the RES (393.1050, RSMo). The Company-owned Ozark Beach generation will qualify for the Missouri in-state one and twenty-five hundredths (1.25) credit.¹

The Company included its projected Missouri Retail sales and estimated REC generation potential to demonstrate that the existing renewable resources and PPAs will produce excess RECs over the three-year planning period.²

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 Elk River and Meridian Way, effective December 10, 2004 and June 19, 2007, respectively.

¹ 393.1030.1., RSMo; 4 CSR 240-20.100(3)(G).

² 2014-2018 Revenue Model, Draft 5

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

The Company has provided values for projected retail electric sales. 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;”

The Company filed its most recent triennial compliance filing in February 2011 and its most recent annual update report in March of 2014. The Plan is consistent with the information regarding renewable resources in Empire’s February 2011 preferred resource plan and its annual update for 2014.

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;”

The Company provided information regarding its utilization of existing resources to comply with the non-solar portion of the RES for 2014 through 2016. 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:”

The Commission issued an order in Case No. EC-2013-0379, effective October 13, 2013, that found Empire was exempt from the obligation to provide a detailed explanation of the calculation because the calculation is only required when an electric utility proposes to add incremental renewable energy resource generation directly attributable to RES compliance through the procurement or development of renewable energy resources. As discussed in the Compliance Plan, Empire’s three-year compliance plan does not propose adding any

incremental renewable energy resource generation to meet its compliance obligations. As such, Empire is not required to perform the calculation for this filing.

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.”

The Company states in its Plan that, to its knowledge, “All generating facilities utilized by EDE to meet the requirements of the Missouri RES have, to EDE’s knowledge, received all necessary environmental and operational permits and are in compliance with any necessary federal, states and/or local requirements related to air, water and land use.” Staff has no reason at this time to dispute this finding by Empire.

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

In the Matter of The Empire District)
Electric Company's Submission of its)
2014 Renewable Energy Standard (RES))
Compliance Plan) Case No. EO-2014-0285

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Daniel I. Beck, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Daniel I. Beck

Subscribed and sworn to before me this 30th day of June, 2014.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086



Notary Public