

**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)	

**Empire's Comments and Objections Regarding
Staff's and MDNR's Suggested Special Contemporary Resource Planning Issues**

COMES NOW The Empire District Electric Company ("Empire" or "Company"), by and through the undersigned counsel, and, pursuant to Rule 4 CSR 240-22.080(4)(B), respectfully states as follows to the Missouri Public Service Commission ("Commission") regarding the special contemporary resource planning issues suggested by the Staff of the Commission ("Staff") and the Missouri Department of Natural Resources ("MDNR"):

Introduction

This file was opened to facilitate the process established by Rule 22.080(4) regarding "evolving electric resource planning issues," also known as "special contemporary issues." On September 14, 2012, MDNR filed its suggested special contemporary issues list, and, on September 17, 2012, Staff filed its suggested list. Pursuant to Rule 22.080(4)(C), by no later than November 1, 2012, this Commission must issue an order containing a list of special contemporary issues for Empire to analyze and document in its next triennial compliance filing.

Empire submitted its 2010 Chapter 22 compliance filing ("September 2010 filing") in Case No. EO-2011-0066, on September 3, 2010 (under the prior integrated resource planning ("IRP") rules). Empire submitted an IRP annual update filing in March of 2012 in Case No. EO-2012-0294. Empire is scheduled to submit its first triennial compliance filing under the revised IRP rules by April 1, 2013.

Comments and Objections


Pursuant to the new IRP rules that became effective as a result of the rulemaking process in File No. EX-2010-0254, the purpose of the special contemporary issues lists is to ensure that evolving regulatory, economic, financial, environmental, energy, technical, or customer issues are adequately addressed by each utility in its electric resource planning. 4 CSR 240-22.080(4). In line with the stated purposes of the Commission's IRP rules, each utility should keep its stakeholders updated and informed regarding changing conditions and factors. In this regard, Empire's IRP Stakeholder Advisory Group, which includes MDNR, Staff, the Office of the Public Counsel, and other intervenors, has met quarterly on six occasions since June of 2011. The Commission's current IRP rules are comprehensive and prescribe a complex, costly, and detailed planning process for each utility. Parties should not be allowed to expand upon these IRP rules simply by labeling items as "special contemporary issues."

Empire's specific response to each issue suggested for consideration by Staff or MDNR is set forth on the attached Exhibit A. In general, Empire urges the Commission to apply a reasonableness standard in arriving at its list of special contemporary issues to be set forth in the Commission's order to be issued by November 1, 2012. Some of the items Staff and MDNR propose are not actually "special contemporary issues" within the meaning of the rule. To be a "special contemporary issue" or a "new evolving electric resource planning issue," the issue must be reasonably related to the utility's resource planning. A suggested issue should not already be explicitly or significantly covered or contemplated by the IRP rules and should not cause unnecessary duplication of duties. A suggested issue also should not be a repeat of past special contemporary issues that have been adequately addressed by the utility in prior cases. The list of special contemporary issues ordered by the Commission for consideration by Empire

should be straightforward, specific to Empire and its planning process, and appropriately limited in number and scope, so that the issues may be adequately analyzed and the Company's resources may be used wisely.

WHEREFORE, Empire respectfully submits its comments regarding the special contemporary resource planning issues suggested by Staff and MDNR. Empire requests such relief as the Commission deems just and proper under the circumstances.

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ATTORNEYS FOR THE EMPIRE DISTRICT
ELECTRIC COMPANY

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail on this 1st day of October, 2012, to all counsel of record.



Issues Suggested by MDNR

MDNR Issue 1: Coal Plant Retirements

Analyze, rank and document existing coal plant fleet as retirement candidates. This is an important contemporary issue in light of environmental regulation, rising coal prices and maintenance costs. How does the recent court decision regarding the implementation of Cross-State Air Pollution Rule (CSAPR) impact Empire's planning for generation retirement?

Empire Response: This is not a "special contemporary issue" because the existing IRP rule already requires that "the utility shall evaluate all existing supply-side resources..." in 4 CSR 240-22.040. Empire's IRP will evaluate the existing coal resources and potential environmental impact on those resources. In fact, environmental issues will be a critical uncertain factor in Empire's IRP.

MDNR Issue 2: DSM, Combined Heat and Power (CHP) and Distributed Generation (DG)

Analyze and document the impacts of opportunities to implement distributed generation, DSM programs and CHP projects in collaboration with municipal water treatment plants and other local waste or agricultural/industrial processes with on-site electrical and thermal load requirements, especially in targeted areas where there may be transmission or distribution line constraints.

Empire Response: This is not a valid special contemporary issue for Empire. The IRP rule states that the utility must identify a variety of potential supply-side resource options "which the utility can reasonably expect to use, develop, implement, or acquire." CHP has been a topic in several of Empire's Stakeholder Advisory Group meetings which included both the MDNR and Staff. Empire, through the Stakeholder Advisory Group process, has already been developing a method, which method has been agreed to by the stakeholders, for Empire to handle CHP in its April 2013 IRP filing. With their "special contemporary issues" filings, MDNR and Staff are proposing recommendations for CHP that are inconsistent with the approach that has been discussed in Empire's Stakeholder Advisory Group process.

MDNR Issue 3: Customer Information/Behavior Modification DSM Programs

Analyze and document alternative customer information/behavior modification program options to increase customer awareness and encourage more efficient use of energy.

Empire Response: This is not a "special contemporary issue" because the existing IRP rule already requires that in order to "fulfill the goal of achieving all cost effective demand-side savings, the utility shall design highly effective potential demand-side programs consistent with subsection (1)(A) that broadly cover the full spectrum of cost-effective end-use measures for all customer market segments..." in 4 CSR 240-22.050. These types of DSM programs will be evaluated in the April 2013 IRP, as they were in Empire's last IRP filed in 2010.

Issues Suggested by Staff

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;

Empire Response: If this special contemporary issue is selected by the Commission, then Empire will need clarification and input from the Staff on how to evaluate this issue within the IRP process.

Staff Issue b. Investigate and document the impacts on the Company's preferred resource plan and contingency plans of a new much more aggressive renewable energy standard (e.g., at least double the current standard for Missouri) with no rate cap;

Empire Response: This is not a "special contemporary issue" because the existing IRP rule already includes a requirement for an aggressive renewable energy plan for planning purposes in 4 CSR 240-22.060 (3) (A) 2.

Staff Issue c. Investigate and document the impacts on the Company's preferred resource plan and contingency plans of a very aggressive energy efficiency resource standard (e.g., annual energy savings of 1.5% each year for 20 years and annual demand savings of 1.0% each year for 20 years from electric utility demand-side programs) with no rate cap in Missouri;

Empire Response: This is not a "special contemporary issue" because the IRP rule already includes a requirement for an aggressive energy efficiency resource plan for planning purposes in 4 CSR 240-22.060 (3) (A) 3. In addition, this proposal is similar to an existing requirement in the stipulation and agreement from Empire's 2010 IRP that applies to the April 2013 IRP filing.

Staff Issue d. Investigate and document the impacts on the Company's preferred resource plan and contingency plans of a loss of significant load for the short term and potentially for the long term that may be the result of: 1) a prolonged double-dip recession, and/or 2) the largest customer or a group of customers no longer taking service from Company;

Empire Response: This is not a "special contemporary issue" for Empire and this time and is unnecessary. This was a special contemporary issue addressed in Empire's IRP Annual Update in March 2012 (EO-2012-0294). It was determined in EO-2012-0294 that the double dip recession assumption did not cause a significant change in Empire's load forecast. In addition, the IRP rule already requires that "the utility shall produce at least two (2) additional normal weather load forecasts (a high-growth case and a low-growth case) that bracket the base-case load forecast" in 4 CSR 240-22.030. This "load

forecast band” which includes a base, high and low forecast should be adequate for consideration of changes in the load forecast for planning purposes.

Staff Issue e. Investigate and document the impacts of aggressive environmental regulations on Company’s preferred resource plan and contingency plans;

Empire Response: This is not a “special contemporary issue” and will be addressed as part of Empire’s 2013 IRP filing. This Staff suggestion is a repeat of a special contemporary issue from Empire’s IRP Annual Update in EO-2012-0294.

Environmental factors have been critical uncertain factors in all of Empire’s IRPs. Furthermore, the existing IRP rule addresses critical uncertain factors in CSR 240-22.060 (6) which states: “ The utility shall describe and document its assessment of the impacts and interrelationships of critical uncertain factors on the expected performance of each of the alternative resource plans developed pursuant to 4CSR 240-22.060(3)...” Therefore, this issue will already be addressed in the April 2013 IRP filing.

Staff Issue f. Analyze, rank, and document existing coal plant fleet as retirement candidates that includes documentation indicating the date the plant was put in service, the original design life in years and the results of any subsequent life extension studies or modifications to extend the design life, the cost in \$/kw to produce energy, and any analysis, studies, inspections, calculations used to justify the continued operation of the plant beyond its original design life;

Empire Response: This is not a “special contemporary issue.” Please see Empire’s response to MDNR’s suggested Special Contemporary Issue 1.

Staff Issue g. Analyze and document aggressive DSM portfolios - including demand-side programs and demand-side rates - without constraints. Include analysis and documentation of demand-side investment mechanisms necessary to implement each aggressive DSM portfolio;

Empire Response: This is not a “special contemporary issue” and will be addressed as a regular part of Empire’s 2013 IRP. This Staff suggestion seems related to, if not in part a duplication of, Staff’s suggested special contemporary issue c. As previously mentioned in response to Staff special contemporary issue c., an aggressive DSM portfolio is already required by the existing IRP rule in 4 CSR 240-22.060 (3) (A) 3. Further, the purpose of the demand-side section of the IRP in 4 CSR 240-22.050 “specifies the principles by which potential demand-side resource options shall be developed and analyzed for cost effectiveness, with the goal of achieving all cost- effective demand-side savings. It also requires the selection of demand-side candidate resource options that are passed on to integrated resource analysis in 4 CSR 240-22.060 and an assessment of their maximum achievable potentials, technical potentials, and realistic achievable potentials.” Finally, the development of the demand-side investment mechanism should be handled as part of Empire’s upcoming MEEIA filing, not as part of Empire’s IRP.

Staff Issue h. Analyze and document the impacts of opportunities to implement distributed generation, DSM programs, and combined heat and power (CHP) projects in collaboration with municipal water treatment plants and other local waste or agricultural/industrial processes with on-site electrical and thermal load requirements, especially in targeted areas where there may be transmission or distribution line constraints. In particular, develop a model or business case to identify the most cost effective CHP projects and a strategy to increase the deployment of identified cost effective CHP projects;

Empire Response: This is not a “special contemporary issue.” Please see Empire’s response to MDNR Special Contemporary Issue 2.

Staff Issue i. Analyze and document analysis of DSM programs targeted to achieve energy efficiency savings in the agricultural sector;

Empire Response: This is not a “special contemporary issue” and will be addressed as a regular part of the 2013 IRP filing. The existing IRP rule already requires that in order to “fulfill the goal of achieving all cost effective demand-side savings, the utility shall design highly effective potential demand-side programs consistent with subsection (1)(A) that broadly cover the full spectrum of cost-effective end-use measures for all customer market segments...” in 4 CSR 240-22.050. Empire will evaluate potential DSM programs for the agricultural sector as it pertains to the service territory.

Staff Issue j. Analyze and document alternative customer information/behavior modification program options utilizing either in-house or outside industry experts or a combination of both to increase customer awareness and encourage more efficient use of energy;

Empire Response: This is not a “special contemporary issue” and will be addressed as a regular part of Empire’s 2013 IRP. Please see Empire’s response to MDNR’s Special Contemporary Issue 3.

Staff Issue k. Analyze potential or proposed changes in state and/or federal environmental and/or renewable energy standards and report how those changes would affect Company’s plans for compliance with those standards;

Empire Response: This is not a “special contemporary issue.” Empire addressed this issue in its March 2012 IRP Annual Update. It also seems to be related to Staff special contemporary issue b.

Staff Issue l. Analyze the levelized cost of energy needed to comply with the current Renewable Energy Standards law compared to the cost of energy resulting from a portfolio comprised solely of existing resources with no additional renewable resources; and

Empire Response: This is not a “special contemporary issue.” Empire previously addressed this issue in its March 2012 IRP Annual Update.

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.

Empire Comment: Empire was presented with this issue for its IRP Annual Update. At that time, the Company requested clarification on this issue so it could be appropriately addressed. However, no party to the case or the Stakeholder Advisory Group was able to elaborate on or clarify the issue. As mentioned earlier, if a special contemporary issue appears in the Commission’s final order, the party proposing the issue should be required to define and clarify the issue when necessary.

Staff Issue n. Analyze and document nuclear powered small modular reactor (SMR) as a potential supply-side resource option; and

Empire Comment: This is not a special contemporary issue, and is already covered by the existing IRP rule. The IRP rule already has a requirement to “identify a variety of potential supply-side resource options which the utility can reasonably expect to use, develop implement, or acquire, and, for purposes of integrated resource planning, all such supply-side resources shall be considered as potential supply-side resource options” in 4 CSR 240-22.040. In fact, it has already been considered as a supply-side candidate for the April 2013 IRP.

Staff Issue o. Analyze and document the potential impact of Smart Grid technology on the Company’s supply-side resources and demand-side resources.

Empire Response: This is not a “special contemporary issue” and is already covered by the existing IRP rule. This issue is very similar to an existing requirement already found in the IRP rule at 4 CSR 240-22.045 (1) (D) which requires the utility to “incorporate advanced transmission and distribution network technologies [smart grid] affecting supply-side resources or demand-side resources...” There are also other references to advanced transmission and distribution network technologies within other sections of the IRP rule. As such, Staff’s suggestions is already significantly covered by the existing rule and should not be considered a special contemporary issue since it would only duplicate reporting requirements and perhaps add subtle differences to existing IRP tasks.