

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

In the Matter of an Investigation into	)	
Southwest Power Pool Cost Allocations and	)	Case No. EO-2011-0134
Cost Overruns.	)	

**EMPIRE'S INITIAL COMMENTS**

COMES NOW The Empire District Electric Company (Empire), and, in response to the Missouri Public Service Commission's (Commission) Order Opening an Investigation into Southwest Power Pool Cost Allocations and Cost Overruns, states as follows:

**EMPIRE**

1. Empire is a Kansas corporation with its principal office and place of business at 602 South Joplin Avenue (P.O. Box 127), Joplin, Missouri 64801 (64802). Empire is engaged in the business of providing electric and water utility services in Missouri to customers in its service areas and has a certificate of service authority to provide certain telecommunications services. Empire also provides natural gas service in Missouri through its subsidiary, The Empire District Gas Company.

2. Pleadings, notices, orders and other correspondence and communications concerning this application should be addressed to the undersigned counsel and:

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## **BACKGROUND**

3. On November 23, 2010, the Commission issued its Order Opening an Investigation into Southwest Power Pool Cost Allocations and Cost Overruns. Therein, the Commission stated that this case was “established to investigate the Southwest Power Pool’s process for selecting projects including cost estimates and cost-benefit analysis, the issue of novations and what to do about construction cost overruns for new transmission projects.”

4. In furtherance of this goal, among other things, the Commission invited “all parties interested in the issue of the construction cost overruns as well as the problems posed by novations” to file comments in this docket by December 31, 2010 (and to file reply comments by January 14, 2011).

## **EMPIRE’S ASSOCIATION WITH SPP**

5. Empire obtained the Commission’s authority to transfer conditional and interim functional control of certain transmission assets to the Southwest Power Pool, Inc. (SPP) (Case No. EO-2006-0141).

6. Empire received the additional state regulatory approvals required for Empire’s transfer of functional control when the Arkansas Public Service Commission issued its Order on August 10, 2006 (Docket No. 05-132-U, as consolidated with Docket No. 04-137-U, et al.) and the Kansas Corporation Commission issued its Order Approving Stipulation and Agreement and Granting Applications on September 19, 2006 (Docket Nos. 06-SPPE-202-COC and 06-WSEE-203-MIS). On January 16, 2007, the Federal Energy Regulatory Commission accepted the Service Agreement provided for by the Stipulation and Agreement in this case (FERC Docket Nos. ER06-1309-000, ER06-1309-001).

7. On February 1, 2007, Empire exercised the authority granted to it by the

Commission in this case when SPP launched its Energy Imbalance Services (EIS) Market and began dispatching wholesale electricity.

8. Empire is a transmission-owning member and network integration transmission service customer of the SPP. Empire "is" one of the founding members of the SPP and has been an active participant for many years in the SPP stakeholder committees and the SPP Regional Transmission Organization (SPP RTO) since its inception in 2004.

### **EMPIRE COMMENTS**

9. As a result of its involvement with the SPP RTO, Empire has actively participated in the SPP RTO stakeholder process and is concerned with the issues raised by the Commission in this case. Empire is disturbed by the recent cost increases that are projected for regionally funded transmission projects that are referred to as "balanced portfolio" and "priority" projects as well as the lack of transparency in the estimating, tracking, reporting and evaluation of the impact these cost increases have on the overall cost/benefit of these projects. In addition, Empire is concerned with the lack of transparency in the SPP RTO's novation/assignment of the construction of authorized transmission projects.

### **INITIAL RECOMMENDATIONS TO ADDRESS ISSUES**

10. On October 25, 2010, the SPP Regional State Committee (RSC) expressed its concerns about regionally funded transmission project cost projections and construction cost overruns. The RSC unanimously approved five motions to be addressed by the SPP Board of Directors (BOD) and the SPP Cost Allocation Working Group (CAWG), which reports to the RSC. On October 26, 2010, the BOD directed the Strategic Planning Committee (SPC) to address RSC motions 1-4. These motions were as follows:

MOTION 1: RSC recommends that SPP review what is the best manner to address significant cost increases and/or overruns of transmission projects that are regionally funded.

MOTION 2: RSC recommends that SPP review the Novation Process and report to the RSC by April 2011.

MOTION 3: RSC recommends that SPP consider establishing design & construction standards for transmission projects at 200KV & above that are regionally funded.

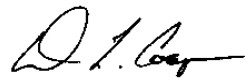
MOTION 4: SPP evaluate how cost estimates are established for transmission projects before Cost Benefit Analysis are performed.

11. On December 3<sup>rd</sup> the SPC began to discuss these four RSC motion, but adjourned without making any decisions. The next meeting of the SPC is scheduled for January 13<sup>th</sup> 2011 in New Orleans, Louisiana. Empire encourages the Commission to actively monitor the discussions and recommendations made by the SPC and the CAWG, and provide input to the RSC and BOD, as appropriate.

12. With regard to Empire's future participation in the SPP and the cost and benefits associated with this participation, Empire recommends that this analysis be performed as part of Empire's required filing with the Commission in Case No. EO-2006-0141, which is currently scheduled for January 31, 2012.

WHEREFORE, Empire prays that the Commission consider its comments and issue such orders as it deems appropriate.

Respectfully submitted,



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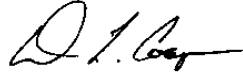
**CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on December 31, 2010, to the following:

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