

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2013-0458, Empire's Request for a Waiver or Variance From 4 CSR 240-20.100(7)(B)1.F

FROM: Claire M. Eubanks, P.E., Engineering Analysis

/s/ Daniel I. Beck / May 2, 2013 /s/ Jennifer Hernandez / May 2, 2013
Engineering Analysis / Date Staff Counsel's Office / Date

SUBJECT: Staff Report and Recommendation on Empire's Request for a Waiver

DATE: May 2, 2013

CONCLUSION

Staff has reviewed The Empire District Electric Company's ("Empire") request for waiver or variance. After consultation with our attorney and based on a review of the information provided by Empire, Staff does not believe a variance is required. The detailed calculation contemplated by Rule 4 CSR 240-20.100 (7)(B)1.F. is required only when an electric utility adds new generation to comply with the RES. If the Commission deems a variance necessary, Staff supports a variance of Rule 4 CSR 240-20.100 (7)(B)1.F. and Rule 4 CSR 240-20.100 (5)(B) for Empire's *2013 Annual Renewable Energy Standard Compliance Plan* ("Plan") in this instance.

OVERVIEW

On April 15, 2013, Empire filed a request for a waiver or variance of a specific subparagraph of the Commission's Renewable Energy Standard (RES) rules, Rule 4 CSR 240-20.100(7)(B)1.F. This subparagraph requires a detailed explanation of the calculation of the RES retail rate impact limit calculated in accordance with Section 5 of the rule. Section 5 provides the method for calculating the RES retail rate impact. Empire asserts that its plan for compliance will cause no retail rate impact to customers for two reasons: (1) Empire already has more than enough renewable energy resources to comply with the RES through 2021; and (2) Empire only has minor administrative costs associated with compliance. Empire believes that the explanation regarding the RES retail rate impact provided in the *Plan* satisfies

the requirements of 4 CSR 240-20.100(7)(B)1.F, but requests a waiver or variance if the Commission deems it necessary.

DISCUSSION

4 CSR 240-20.100(7)(B)1.F. states:

“1. The RES compliance plan shall include, at a minimum—...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.”

Section 5 of the rule requires a detailed calculation of the RES retail rate impact to ensure that the statutory requirement of limiting the RES retail rate impact to one percent (1%) is met. The RES retail rate impact calculation is to be completed during the planning process to ensure the proposed renewable resources will not exceed the RES retail rate impact limit. If the limit is exceeded, the utility is to adjust downward the proportion of renewable resources. The RES retail rate impact calculation compares a non-renewable portfolio to a RES-compliant portfolio. The two portfolios are to be determined by adding to the existing generation additional resources to meet, on a least cost basis, the utility's needs for ten (10) years. The RES-compliant portfolio includes renewable resources to meet the standard as specified in Section 2 of the RES rule, and if additional resources are needed to meet the utility's ten (10) year needs, those resources may be non-renewable. The non-renewable portfolio includes a mix of additional least-cost non-renewable resources to meet the utility's ten (10) year needs. The one percent (1%) retail rate impact limit has been exceeded when the revenue requirement for a RES-complaint portfolio¹ is greater than the revenue requirement for a non-renewable portfolio by more than one percent (1%). When that limit has been exceeded, the utility is to adjust downward the proportion of renewable resources.

Empire plans to comply with the RES standard by utilizing existing resources over the three-year planning period (2013-2015), as outlined in the *Plan*. Empire provided information in their *Plan* that indicates it will continue to meet the standard during the three-year planning period. Therefore, both the

¹ Averaged over the succeeding ten (10) year period

RES-compliant portfolio and the non-renewable portfolio would be equal to their existing resource mix plus any non-renewables to meet its ten (10) year needs. Empire's only costs attributable to RES compliance are administration costs (\$77,293) associated with the tracking of RECs in the commission-approved tracking system, the North American Renewables Registry (NAR). Regardless of whether Empire includes these administrative costs in its RES retail rate impact calculation; Empire cannot adjust downward the proportion of renewable resources because it is not planning to add renewable resources.

Empire's *Plan* provides a description of costs directly attributable to RES compliance and Empire's current annual revenue requirement. Empire took one percent (1%) of its current annual revenue requirement approved in Case No. ER-2012-0345 to determine a limit to compare to its actual RES costs. Empire's calculation was based on its current annual revenue requirement rather than a plan to meet its ten (10) year needs as required by Section 5. However, it is a useful calculation to compare the amount Empire is spending on RES compliance to its current annual revenue requirement. Additionally, the rule indicates that the RES retail rate impact calculation is to be calculated when a utility proposes to add renewable generation, for RES compliance, through the procurement or development of renewable energy resources,² but Empire is not proposing to add renewable generation.

Although Empire's calculation method did not follow the method outlined in Section 5 of 4 CSR 240-20.100, Staff believes the explanation provided is sufficient for the following reasons: Empire's RES-compliant portfolio and non-renewable portfolio are the same; Empire cannot adjust downward its proposed renewable resource mix since it is not proposing to add any new renewable resources; the RES retail rate impact is to be calculated only when a new renewable resource is planned; and the actual costs incurred by Empire, for RES compliance, are significantly less than its current annual revenue requirement.

In this instance, Staff believes a variance is not required, but supports the Commission granting Empire variances from the calculation of the RES retail rate impact limit requirement of section (5) and

² 4 CSR 240-20.100(5)(A); 4 CSR 240-20.100 (5)(B)

the detailed explanation of that calculation required by subpart (7)(B)1.F of rule 4 CSR 240-20.100, if the Commission deems such necessary.

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 (RES))
Compliance Plan)

Case No. EO-2013-0458

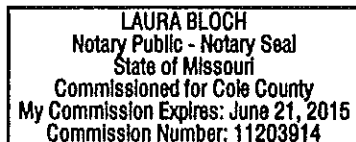
AFFIDAVIT OF CLAIRE EUBANKS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Claire Eubanks of lawful age, on oath states: that she 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 her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.

Claire M Eubanks
Claire Eubanks

Subscribed and sworn to before me this 2nd day of May, 2013.



Laura Bloch
Notary Public