

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

In the Matter of the Consideration of	)	
Adoption of the PURPA §111(d)(12) Fuel	)	
Sources Standard as Required by §1251	)	Case No. EO-2006-0494
Of the Energy Policy Act of 2005	)	

**THE RESPONSE OF THE EMPIRE DISTRICT ELECTRIC COMPANY TO  
STAFF'S MOTION TO OPEN RULEMAKING DOCKET**

The Empire District Electric Company ("Empire" or "Company"), through its undersigned counsel, hereby submits the following response in opposition to the *Motion to Open Rulemaking Docket* ("Motion") filed by the Staff ("Staff") of the Missouri Public Service Commission ("Commission") on October 31, 2006. In that filing, Staff proposed that the Commission open a single rulemaking docket to address any and all rulemaking considerations related to Case Nos. EO-2006-0493, EO-2006-0494, EO-2006-0495, EO-2005-0496, and EO-2006-0497. Staff's Motion also requested that the Commission order parties and/or Staff to file, on or before April 30, 2007, either: 1) proposed rules that address two standards that were included in the "Energy Policy Act of 2005" ("EPAAct 2005") – time-based metering/communications and interconnection – that are currently under consideration in Case Nos. EO-2006-0496 and EO-2006-0497, respectively; or 2) pleadings explaining why rulemaking is not required to bring the State of Missouri into compliance with those standards.

Empire opposes Staff's motion because the Company believes no rulemaking is necessary to bring the State of Missouri's fuel sources standard

into compliance with the federal standard, which was enacted as part of EPOA 2005 and was codified as 16 U.S.C §2621(d)(12). Missouri's fuel sources standard, which is set out in 4 CSR 240 20.040(1), is sufficiently comparable to the federal standard that the Commission can determine, as a matter of law, that no further action is required to bring Missouri into compliance with EPOA 2005.

In addition, Empire believes that Staff's proposal to open a single rulemaking docket to consider the fuel sources standard that is the subject of this case as well as the federal standards under consideration in Case Nos. EO-2006-0493, EO-2006-0495, EO-2006-0496, and EO-2006-0497 would prove unwieldy for both the Commission and any parties who may choose to participate in such a docket.

### **Background of the Federal Fuel Sources Standard**

1. EPOA 2005 includes provisions that require each state utility regulatory authority to consider several standards related to electric energy and to determine if any or all of the standards should be adopted for electric utilities over which the regulatory authority has jurisdiction. The statutory language that imposes this requirement is as follows:

(a) Consideration and determination. Each State regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each nonregulated utility shall consider each standard established by subsection (d) and make a determination concerning whether or not it is appropriate to implement such standard to carry out the purposes of this title. . . . Nothing in this subsection prohibits any State regulatory authority or nonregulated electric utility from making any determination that it is not appropriate to implement any such standard, pursuant to its authority under otherwise applicable State law.

16 U.S.C. § 2621(a).

2. What the Commission must do to fulfill these obligations is set out in 16 U.S.C. §2621(c):

(1) The State regulatory authority (with respect to each electric utility for which it has ratemaking authority) or nonregulated electric utility may, to the extent consistent with otherwise applicable State law:

(A) implement any such standard determined under subsection (a) to be appropriate to carry out the purposes of this title, or

(B) decline to implement any such standard.

(2) If a State regulatory authority (with respect to each electric utility for which it has ratemaking authority) or nonregulated electric utility declines to implement any standard established by subsection (d) . . . such authority or nonregulated electric utility shall state in writing the reasons therefore.

3. Taken together, the two statutes quoted above show that, although each state is required to *consider* the federal standards, Congress did not require each state to *adopt* those standards. For regulated electric utilities, the decision to adopt or decline to adopt the federal standards is left to the discretion of the utility regulatory authority in each state.

4. Among the standards adopted in EPAAct 2005 was one pertaining to “fuel sources,” which the statute describes as follows:

Fuel sources. Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.

16 U.S.C. § 2621(d)(12). In response to a motion filed by Staff, the Commission opened the current case to consider the federal fuel sources standard and decide if it should be adopted in Missouri.

## **The Fuel Sources Standard in Missouri**

5. The language of Section 2621(d)(12) reflects Congress' intent to require electric utilities to develop plans to reduce their dependence on a single fuel source to assure that the electricity the utilities sell to their customers comes from as diverse a range of fuel sources and technologies as is practicable.

6. The Commission has had in effect for many years rules that require each Missouri electric utility to analyze and identify a variety of supply-side fuel and generation resources. Each utility's obligation is stated in 4 CSR-240-22.040(1):

(1) The analysis of supply-side resources shall begin with the identification of a variety of potential supply-side resource options which the utility can reasonably expect to develop and implement solely through its own resources or for which it will be a major participant. These options include new plants using existing generation technologies; new plants using new generation technologies; life extension and refurbishment at existing generating plants; enhancement of the emission controls at existing or new generating plants; purchased power from utility sources, cogenerators or independent power producers; efficiency improvements which reduce the utility's own use of energy; and upgrading of the transmission and distribution systems to reduce power and energy losses. . . .

Although the excerpt quoted above does not specifically include the phrase "fuel source" in describing the options that utilities are required to consider, Empire believes the breadth of the language used in the rule and the intent that the rule embodies – to assure a comprehensive review of all viable supply-side options – implicitly include a requirement to evaluate multiple fuel sources. Empire also notes that its own Integrated Resource Plan ("IRP"), which was developed, *inter alia*, in accordance with the above rule, includes a range of fuel sources, and the

Company believes the same is true for the IRPs that have been developed for the other electric utilities operating in Missouri.

7. As Empire noted earlier in this pleading, the federal standard prescribes an objective – to encourage providers of electricity to develop plans to reduce their dependence on a single fuel source to assure that the electricity they sell comes from as diverse a range of fuel sources and technologies as practicable – but leaves to the states the details of how best to achieve that objective. By requiring electric utilities to identify and evaluate a variety of supply-side options, including new technologies for the generation of electricity and diverse fuel sources, for both the utilities' own resources as well as from purchased power, Missouri's fuel sources standard already accomplishes that objective.

8. Some parties to this case have claimed in previous filings that the IRP process in Missouri, which includes the supply-side resource analysis requirements described earlier, does not satisfy the federal fuel sources standard. But the evidence they have cited in support of their claim actually refutes it. The *Department of Natural Resources' Response to Questions Posed in the August 17, 2006, Commission Order*, includes a table that summarizes the fuel sources used by Missouri electric utilities to produce electricity using in-state generating facilities. That list shows that a variety of fuel sources – including coal, nuclear, natural gas, hydro, tire-derived fuel, petroleum coke, and fossil-derived gasses – are already being used.

9. The following table shows the mix of fuels that Empire employs in its own generating facilities and how that mix changed between 1990 and 2005.

**Generation by Fuel Type**

2005 MWh			1990 MWh		
Coal	2,278,706	57.5%	Coal	2,235,971	95.6%
Pet Coke	145,909	3.7%	Pet Coke	0	0.0%
Nat Gas	1,431,017	36.1%	Nat Gas	37,878	1.6%
Oil	26,982	0.7%	Oil	4,406	0.2%
Hydro	65,581	1.7%	Hydro	59,551	2.5%
Tires	<u>17,311</u>	<u>0.4%</u>	Tires	<u>0</u>	<u>0.0%</u>
	3,965,506	100.0%		2,337,806	100.0%

As can be seen from this table, in 1990 Empire's total generation was 1.6% from natural gas fired units even though those units represented 41.1% of the Company's total generation capacity. In 2005, natural gas accounted for 36.1% of total generation while gas generation units comprised 63.9% of total generation capacity. The table also shows how the mix of fuels that Empire employs has increased significantly from 1990 to 2005. In addition, Empire is also purchasing power from a wind farm in Kansas, which represents yet another "fuel" source. This shows that, under the Commission's existing rules, Missouri utilities not only have developed plans to minimize their dependence on a single fuel source they are already using multiple fuel sources in their demand-side portfolios. Therefore, not only is Missouri already satisfying the federal standard, it has gone one step beyond that standard.

**Further Action Regarding Fuel Sources That Is Required to Bring Missouri  
Into Compliance with the Federal Standard**

10. Staff's Motion suggests that further action by the Commission – in the form of a large, unwieldy rulemaking docket convened to consider fuel sources and other federal energy standards included in EAct 2005 – is necessary to bring Missouri into compliance with federal law. Empire disagrees. Because the Commission has already addressed the fuel sources issue in its rules, the Company believes that re-plowing the same ground with another rulemaking proceeding on the same subject is neither required nor desirable.

11. Under the “prior state action” provisions of EAct 2005, the Commission need not take any further or additional action regarding the fuel sources standard if, prior to the enactment of the statute in August 2005:

- (1) the State has implemented for such [electric] utility the standard concerned (or a comparable standard);
- (2) the State regulatory authority for such State . . . has conducted a proceeding to consider implementation of the standard concerned (or a comparable standard); or
- (3) the State legislature has voted on the implementation of such standard (or a comparable standard) for such utility.<sup>1</sup>

12. The Commission's rule requiring utilities to identify and evaluate a range of supply-side options qualifies as “prior state action” under EAct 2005. The Commission, therefore, is free to determine that, because a comparable fuel sources standard already exists in Missouri, no further action regarding the federal standard is necessary. Furthermore, Empire believes that such a determination, which is a question of law and not fact, can be made in the current

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<sup>1</sup> 16 U.S.C. § 2622(d).

case based solely on the pleadings. This would obviate the large and cumbersome rulemaking docket that Staff proposes in its Motion.

WHEREFORE, for the reasons stated above, Empire urges the Commission to reject Staff's suggestion that a rulemaking docket be opened to address any and all rulemaking considerations related to the fuel sources standard that is the subject of the current case as well as the other federal energy standards that are the subjects of Case Nos. EO-2006-0493, EO-2006-0495, EO-2006-0496, and EO-2006-0497.

Respectfully submitted,



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### Certificate of Service

The undersigned hereby certifies that a true copy of the foregoing document was served upon the following by electronic mail, facsimile or U.S. mail, postage prepaid, this 10<sup>th</sup> day of Novemberber, 2006:

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